

WISCONSIN

Economic Outlook

December 2010

**Wisconsin Department of Revenue
Division of Research and Policy**

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The quarterly Wisconsin Economic Outlook is prepared by
Romina Soria and Emily Camfield of the
Wisconsin Department of Revenue – Division of Research and Policy.
The IHS Global Insight, Inc. national forecast referenced in this report was
prepared on October 7, 2010.

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Economic Outlook

December 2010

Executive Summary

Wisconsin has been adding jobs in 2010 and will continue to do so in 2011

Personal income growth in Wisconsin will resume in 2010

National forecast shows sluggish growth continuing

Outlook for Wisconsin's Metropolitan Areas analyzed in a special report

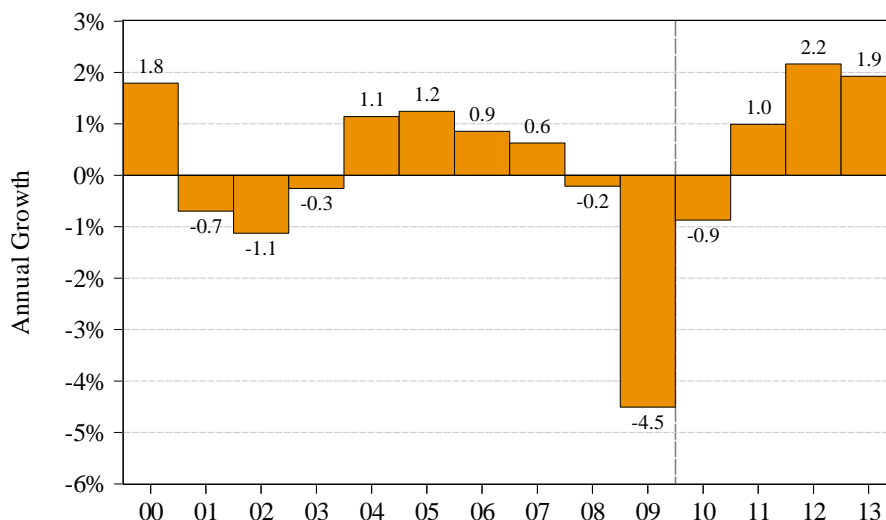
Wisconsin started adding jobs in 2010, which will continue in 2011. Wisconsin added almost 30,000 jobs through September 2010. The forecast calls for employment to increase 1.0% in 2011 and 2.2% in 2012. The U.S. has added 613,000 jobs.

The Wisconsin unemployment rate stayed below the national unemployment rate through the recent recession and will continue doing so. IHS Global Insight anticipates the U.S. labor market to add 750,000 jobs in 2010 and the U.S. unemployment rate to stay above 9% through mid 2012.

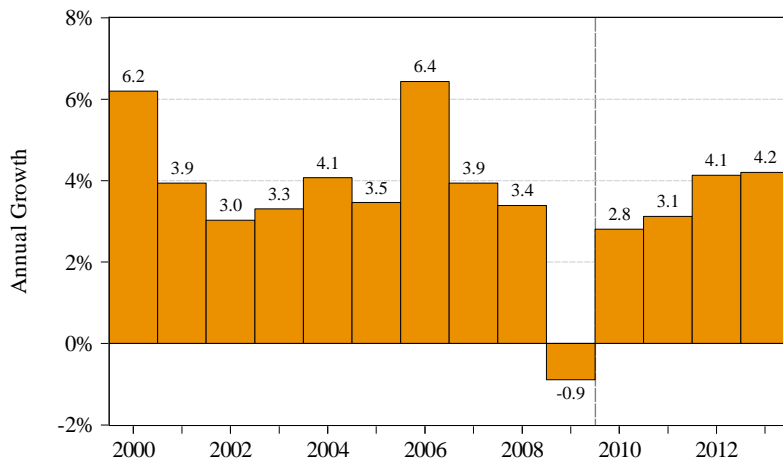
Wisconsin personal income has already reached its pre-recession level and will grow 2.8% in 2010 and 3.1% in 2011. It resumed growth in the first two quarters of 2010, posting 2.6% and 2.3% year-over year growth, respectively.

The National Bureau of Economic Research announced the end of the recovery in June 2009, with the recovery beginning July 2009. The national forecast expects a 2.6% growth of real GDP in 2010 and 2.2% in 2011.

Wisconsin Employment Returns to Growth in 2011



Wisconsin Personal Income Will Increase 2.8% in 2010



U.S. Outlook

The forecast from IHS Global Insight continues to show less than 2% economic growth, enough to generate a handful of private sector jobs, but not enough to prevent the unemployment rate from rising.

The economy is falling back on whatever underlying strength there is in private final demand, which is very limited because households and businesses remain cautious.

Growth in the second half of the year will come in at 1.7% on average, no better than the second quarter. The calendar-year growth forecasts are 2.6% for 2010 and 2.2% for 2011.

Consumer spending growth was 2.2% in the second quarter, very similar to the first quarter. Evidence for the third quarter suggests much the same rate of growth. A weak employment market, high debt levels, a weak housing market, and tight credit are holding consumers back. IHS Global Insight expects just 1.6% growth in consumer spending this year, and 2.3% growth in 2011.

Inflation is not an issue. Global commodity prices are moving back up again, but wage inflation remains very low. Core PCE price inflation is heading towards the bottom of the Federal Reserve's comfort zone.

WI Employment Outlook

Wisconsin started adding jobs in 2010 and will continue doing so. The forecast calls for a 0.6% employment increase in the fourth quarter of 2010 and increases of 1.0% in 2011 and 2.2% in 2012.

The trade, transportation and utilities sector, the largest employment sector in Wisconsin, will decline another 2.5% in 2010 and stay almost flat in 2011 before increasing 2.1% in 2012 and 1.9% in 2013.

Employment in manufacturing will decline 1.7% in 2010 in Wisconsin, but increase 2.8% in 2011 and 3.3% in 2012.

The Wisconsin unemployment rate stayed below the national unemployment rate through the recent recession and will continue doing so. The forecast calls for an unemployment rate of 8.2% in 2010 and 7.7% in 2011. The Wisconsin unemployment rate will be 6.5% in 2013, lower than the 8.5% forecasted at the national level.

WI Personal Income Outlook

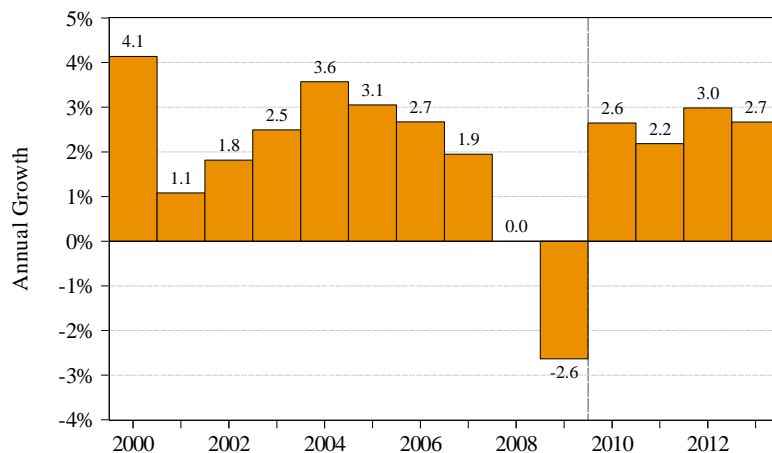
The decline of 0.9% of Wisconsin personal income in 2009 was well below the 1.7% decline nationwide and the 2.1% decline in the Great Lakes region.

Wisconsin personal income growth resumed in the first two quarters of 2010, posting 2.6% and 2.3% year-over-year growth. The forecast then expects growth around 3.0% in the last two quarters of 2010 and annual increases of 3.1% and 4.1% in 2011 and 2012, similar to the expected growth rates at the national level.

Wages and salaries will increase 0.7% in 2010, before accelerating to 3.6% in 2011 and 4.7% in 2012 and 2013.

Inflation will pick up some speed as the economy recovers, but increases will remain below 2%. The forecast calls for real Wisconsin personal income to grow 1.0% in 2010 and 1.7% in 2011.

Real GDP Increases 2.6% in 2010



Business equipment and software spending surged more than 20% in the second quarter, for the second consecutive quarter. The trend in capital goods orders still points higher, although not strongly enough to keep that pace going.

Foreign trade flows have bounced back sharply, although surveys in both the manufacturing and service sectors suggest some loss of momentum behind exports. Export volume growth will ease slightly during the second half of the year.

Key U.S. Forecast Assumptions

- Unemployment Insurance Benefits Extended Into 2011
- Bush Tax Credits Extended on a Temporary Basis
- Bonus Depreciation Through End of 2010
- Oil Prices Climb Gradually
- FOMC Holds Rates Near Zero Until March 2012
- Euro Falls Again; Renminbi Gradually Appreciates
- Global Growth Slower in 2011
- Real Defense Spending Peaking This Year

Executive Summary based on the *Wisconsin Economic Outlook*, a quarterly publication of the Wisconsin Department of Revenue - Division of Research & Policy.

Read the [full report](#)
Read the [press release](#)

Special Report: Metropolitan Area Outlook

In the Metropolitan Area Outlook, the Department of Revenue focuses on the housing market and the employment and personal income forecasts for each area.

Growth in the twelve metropolitan areas of the state has ranged widely. Some areas, like Janesville, have been hit especially hard with large plant closings. Others, like Madison and La Crosse, have benefited from large, stable education and health sectors.

Questions?

doreconomists@revenue.wi.gov

Wisconsin Department of Revenue
2135 Rimrock Road
Madison, WI 53713
www.revenue.wi.gov

WISCONSIN ECONOMIC OUTLOOK

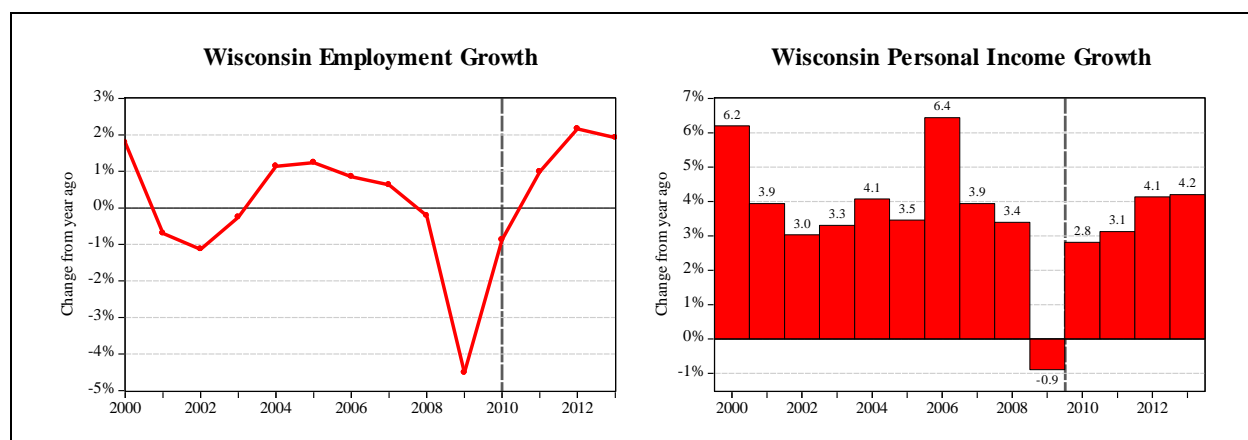
The recovery out of the recession continues. Employment posted mild but positive year-over-year growth in the third quarter of 2010 for the first time since the first quarter of 2008. Wisconsin started adding jobs in 2010, which will continue in 2011. Wisconsin added almost 30,000 jobs through September 2010. The forecast calls for employment to increase 1.0% in 2011 and 2.2% in 2012. The U.S. has added 613,000 jobs.

The Wisconsin unemployment rate stayed below the national unemployment rate through the recent recession and will continue doing so. IHS Global Insight anticipates the U.S. labor market to add 750,000 jobs in 2010 and the U.S. unemployment rate to stay above 9% through mid 2012.

Wisconsin personal income saw year-over-year growth for a second consecutive quarter, already reaching its pre-recession level. Wisconsin personal income growth resumed in the first two quarters of 2010, posting 2.6% and 2.3% year-over-year growth, respectively. Personal income has already reached its pre-recession level and will grow 2.8% in 2010 and 3.1% in 2011.

Since the last Outlook, the National Bureau of Economic Research (NBER) announced the end of the recession as of June 2009 and the recovery began July 2009. The Wisconsin forecast is based on the October national outlook from IHS Global Insight, which expects slow growth. The forecast expects a 2.6% growth of real GDP in 2010 and 2.2% in 2011. IHS Global Insight anticipates the U.S. labor market to add just 750,000 jobs in 2010 and the U.S. unemployment rate to stay above 9% through mid 2012 as workers return to the labor force when prospects improve. The national forecasts calls for moderate inflation of just 1.6% in 2010 and 2011. Given the extent of underutilized resources and negligible wage inflation, inflation is not a worry.

Chart I.1



Wisconsin employment declined 0.2% in 2008 and 4.5% in 2009. Wisconsin started to modestly add jobs in January 2010, but the annual comparison will show a 0.9% decline in 2010. Stronger job gains will make employment advance 1.0% in 2011 and 2.2% in 2012.

Wisconsin employment hit its trough in the fourth quarter of 2009, and most of the sectors had been adding jobs since then. The manufacturing sector lost the most jobs, accounting for 40% of the total job losses. It is also the sector that has added the most jobs since January – up 11,300 jobs between January and September. Professional and Business Services added 8,000 jobs in the same period. The other two sectors that added about 7,000 jobs each this year are the Leisure and Hospitality Services and the Education and Health Services sectors.

Revised data released by the Bureau of Economic Analysis (BEA) shows that Wisconsin personal income rose 3.4% in 2008 and declined just 0.9% in 2009. The forecast anticipates an increase of 2.8% in 2010, slightly higher in 2011 (3.1%) and growth of 4.1% and 4.2% in the following two years. The mild decline in personal income in 2009 would have been greater if not for a 24.9% increase in personal transfer receipts as a result of the federal stimulus policies that helped to alleviate the impact of the recession on personal income.

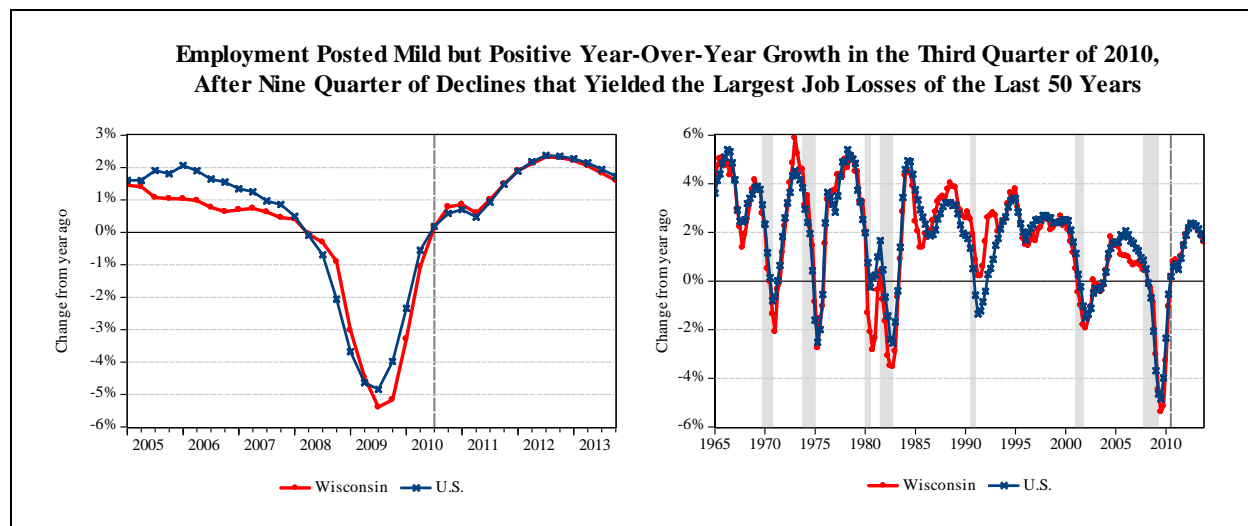
Employment Outlook

Both U.S. and Wisconsin employment bottomed in January 2010 and have seen moderate monthly job gains since. Since the trough in December of 2009, Wisconsin added almost 30,000 jobs, while the U.S. has added 613,000 jobs.

The net job gains in 2010 were sustained by the private sector gains. Wisconsin added 37,000 private jobs since its trough in December of 2009, while the U.S. added 863,000 private jobs in the same period. The government sector lost 7,000 (1.7%) and 250,000 (1.1%) jobs in Wisconsin and the U.S. respectively so far this year.

The recession ended in June 2009 according to NBER, but employment continued falling until December 2009. The forecast calls for a 0.9% Wisconsin employment decline in 2010 and increases of 1.0% in 2011 and 2.2% in 2012. The left panel of Chart I.2 shows total nonfarm employment growth for the U.S. and Wisconsin. The vertical line at the third quarter of 2010 separates history from forecast. Wisconsin and U.S. employment posted year-over-year growth in the third quarter of 2010 for the first time after nine quarters of year-over-year declines. This is a mild, but welcome, recovery.

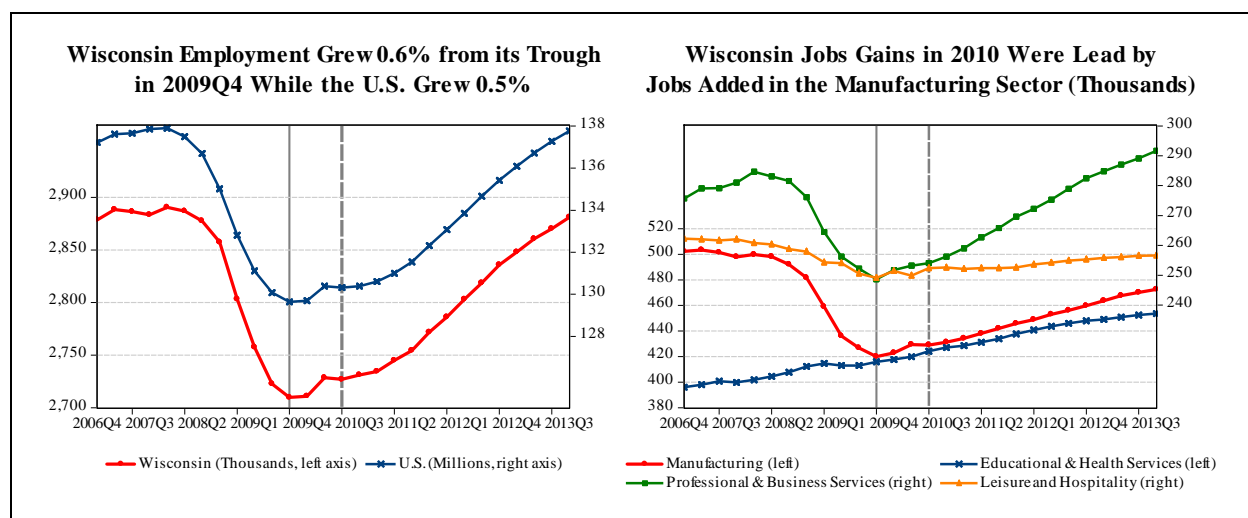
Chart I.2



The right panel of Chart I.2 shows total nonfarm employment growth for the U.S. and Wisconsin back to 1965. The shaded areas mark the national recessions as dated by the NBER. As shown in the chart, the decline in U.S. employment during the recent recession was also the longest and deepest of the last 50 years. In terms of length, the string of job losses in the U.S. during the recent recession, with seven quarters of employment decline, was one quarter longer than the duration of job losses during the 2001 recession. However, in terms of depth, the 6.0% job loss in the current recession double the loss in the 1981 recession (3.0%) and more than triple the loss of 1.7% of jobs experienced in the 2001 recession.

For Wisconsin, this recession was the deepest – but not the longest – in terms of employment decline. Wisconsin jobs declined 6.3% from its peak in January 2008, higher than the 4.5% of employment lost in the 1981 recession. However, the recent recession was not the longest in terms of employment declines: during the 2001 recession, employment declined for eleven straight quarters.

Chart I.3



Employment Sectors

Manufacturing and The Trade, Transportation and Utilities are the two largest employment sectors of the Wisconsin economy. They accounted for more than 65% of the job loss in the recent recession. Manufacturing lost 80,600 jobs, while Trade, Transportation and Utilities lost 44,800 jobs. While manufacturing lost more jobs, it also recovered 11,000 jobs this year. The Trade, Transportation and Utilities sector is taking more time to come back; in 2010, this sector recovered 1,800 of the jobs lost in the recession. At the national level, both sectors are recovering at the same pace, having added 6% of the nearly 2 million jobs lost in each sector.

As shown in the right panel of Chart I.3, the sectors showing the largest job gains in 2010 to date are Manufacturing (11,000), Professional and Business Services (8,000), Education and Health Services (7,700), and Leisure and Hospitality (7,000). The forecast expects the first three sectors to trend upward and to be the ones leading the recovery in 2011.

The significance of the Manufacturing sector for the state is still a distinctive characteristic of the Wisconsin economy, accounting for 15.5% of total employment. This contrasts with the smaller relevance of the sector in national employment, where Manufacturing is in sixth place accounting for just 8.9% of total employment nationwide. The decline of U.S. manufacturing employment started in the 1980s and the sector never recovered its pre-eighties level – it has been falling every year since 1999. In contrast, Wisconsin manufacturing employment was hardest hit during the early 1980s recessions, but the recovery during the 1990s brought manufacturing employment back to pre-1980s levels.

As shown in Chart I.4, Wisconsin manufacturing employment outperformed the U.S. during the last several years and is expected to continue this trend. Nationwide, Manufacturing employment never recovered from the 2001 recession and continued losing jobs every year during the last recovery. In contrast, Wisconsin added jobs during two consecutive years (2005 and 2006), but started to lose manufacturing jobs in 2007 with the arrival of the recent recession.

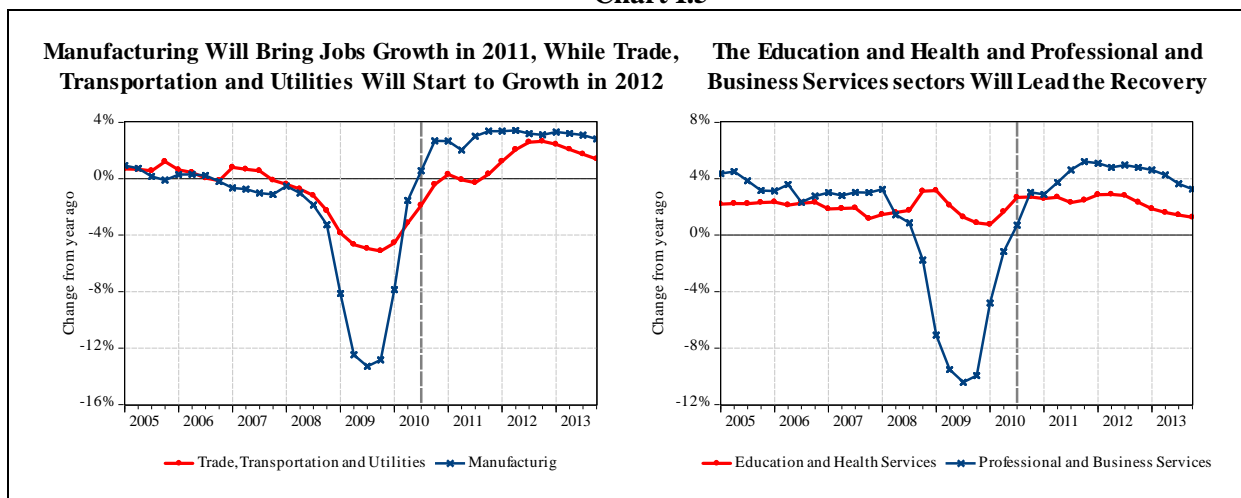
Chart I.4

Manufacturing Employment	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Wisconsin - Thousands	594.2	560.3	528.4	504.1	502.8	504.9	505.7	501.3	492.9	435.4	428.1	440	454.4	468.5
(year change)	-0.1%	-5.7%	-5.7%	-4.6%	-0.3%	0.4%	0.2%	-0.9%	-1.7%	-11.7%	-1.7%	2.8%	3.3%	3.1%
U.S. - Millions	17.3	16.4	15.3	14.5	14.3	14.2	14.2	13.9	13.4	11.9	11.7	11.9	12.2	12.6
(year change)	-0.3%	-4.8%	-7.2%	-4.9%	-1.3%	-0.6%	-0.5%	-2.0%	-3.4%	-11.3%	-1.9%	2.2%	2.6%	2.8%

In 2009, employment in the Manufacturing sector fell 11.7% in Wisconsin and 11.3% the U.S. However, since January 2010, the job gains in the durable good subsector helped add 11,000 and 136,000 jobs in Wisconsin and nationwide, respectively. The slow pace of the recovery still yields a year-over-year decline of 1.7% in 2010 in Wisconsin. The acceleration of the recovery yields a 2.8% increase in 2011 and 3.3% growth in 2012. The expected recovery in the manufacturing sector is fueled by the inventory cycle in the short-term and the recovery of domestic and foreign demand in the medium-term.

The Trade, Transportation and Utilities sector is the largest sector in terms of employment in Wisconsin. It posted very weak growth during the last business cycle expansion, growing an average of 0.5% between 2004 and 2007. As shown in the left panel of Chart I.5, the sector started to decline in late 2007, falling 1.1% in 2008, and 4.6% in 2009. More than half of employment in this sector is in the Retail subsector. Cautious consumer spending slowed the employment recovery in this sector. The forecast expects employment in the Trade, Transportation and Utilities sector to decline another 2.5% in 2010 and stay almost flat in 2011. Trade, Transportation and Utilities will see healthy growth of 2.1% in 2012 and 1.9% in 2013. This sector will not recover its pre-recession U.S. and Wisconsin employment level during the forecast period, but it will retain its place as the largest private employment sector in Wisconsin and nationwide.

Chart I.5



The Professional and Business services sector accounts for 9.3% of total Wisconsin employment, but posted the third-largest job losses in the recent recession. The major declines were in 2009, when the sector posted year-over-year declines above 9%. The Professional and Business Services sector is highly cyclical because it includes temporary jobs in the employment services industry.¹ As the economy starts to recover, companies are more willing to hire temporary workers to help the initial growing demand, but wait until the recovery strengthens to replace temporary jobs with permanent hires. In this sector, the forecast calls for a decline of 0.6% in 2010 and increases of 4.1% in 2011 and 4.9% in 2012.

¹ Employment Services includes the following industries: Employment Placement Agencies; Temporary Help Services; and Employee Leasing Services.

The third private sector of Wisconsin's employment share is Education and Health Services. The health care and social assistance industries account for 88% of total employment in this sector; while the other 12% is composed of jobs in the private education industry (public education is part of the state and local government sector). The Education and Health Services sector is one of the two sectors that grew in 2009, advancing 1.8%, with both subsectors posting job gains. The growth was helped by continued growth in the health care and social assistance industries, mitigating the decline of employment in private education during 2007 and 2008. The outlook calls for a 1.9% increase in 2010 and a strong growth of 2.2% between 2011 and 2013.

Government employment in Wisconsin accounted for 15.5% of total employment in 2009, compared to 17.2% nationally. Looking at each of the federal, state and local components of government employment, Wisconsin shows a lower share of total employment for each of the three subsectors than the nation. Wisconsin employment in the government sector grew 0.7% in 2009, and the outlook calls for a 0.1% decline in 2010, despite the 5.1% growth in federal government employment from the Census. The weak fiscal position of state and local governments will reduce state and local government employment in 2010 and 2011 by 0.5% and 0.4%, respectively. Total government will decline 0.9% in 2011 and return to moderate growth towards 2012.

The Leisure and Hospitality sector ranks fifth for both Wisconsin and the U.S. Employment in the Leisure and Hospitality sector fell 2.9% in 2009 due to the significant adverse impact of the recession on consumers' discretionary spending. Employment in this sector is expected to decline 0.2% in 2010 and return to moderate growth in 2011, advancing 0.3%. The outlook for employment in this sector assumes that discretionary spending will remain subdued through 2013, given the tighten credit conditions, the disrupted housing sector, and consumers efforts to reduce debt or increase savings.

Financial Activities ranks seventh in Wisconsin and nationwide in terms of share of total employment, accounting for 5.8% and 5.9%, respectively. However, the impact from the recent financial crisis was more disruptive at the national level. Financial Activities employment in Wisconsin fell 2.4% in 2009, compared to a loss of 4.7% nationwide. Wisconsin employment in Financial Activities will fall another 2.7% in 2010 and 1.3% in 2011, but the forecast expects the sector to start adding jobs in late 2011, returning to growth by 2012.

The Other Services sector represents 5.0% of Wisconsin employment and 4.1% of U.S. employment. Wisconsin employment in this sector was the least affected in the recent recession, posting the smallest decline in 2009 (0.9%). It will decline 0.6% in 2010. Employment in the Other Services sector is expected to be flat in 2011, returning to strong growth in 2012. The Information and Natural Resources and Mining sectors are the smallest sectors for Wisconsin and the U.S. Wisconsin employment in the Information sector declined 4.4% in 2009 and is expected to fall 1.9% in 2010, before returning to growth in 2011. Employment in the Natural Resources and Mining sector has declined every year since 2006 and is expected to grow in 2010, but it will continue falling between 2011 and 2013.

As shown on the right panel of Chart I.6, Wisconsin employment in the Construction sector stagnated in 2004 as housing permits began to fall. Construction employment started to post negative year-over-year growth in the third quarter of 2006 and declined 1.2% in 2007, 6.0% in 2008, and 13.8% in 2009. Wisconsin construction employment peaked in the first quarter of 2006 at 129,100 jobs. The sector lost 30,400 jobs through the third quarter of 2010, or 23.6% compared to a loss of 27.4% nationwide. This means that almost one out of 4.2 construction workers lost their job in the past four years in Wisconsin, while nationwide that number climbed to one out 3.6 workers. Recent monthly data show signs of stabilization. However, the end of the homebuyers' tax credit will be reflected in flat or slightly negative housing activity. The outlook for Wisconsin construction employment expects job losses in 2010 and 2011, reaching its trough by the end of 2011. Employment in this sector is expected to increase a mild 0.3% in 2012, and 2.7% in 2013.

The Wisconsin seasonally adjusted unemployment rate rose from 4.3% in the first quarter of 2008 to 8.8% in mid 2009. It then retreated to 7.9% in the third quarter of 2010. The Wisconsin unemployment rate stayed below the national unemployment rate through the recent recession and will continue doing so. The forecast calls for an unemployment rate of 8.2% in 2010 and 7.7% in 2011, well below the national expected rates of 9.7% and 9.6%, respectively. By the end of the forecast period, the Wisconsin unemployment rate will be 6.5%, lower than the 8.5% forecasted for the national level.

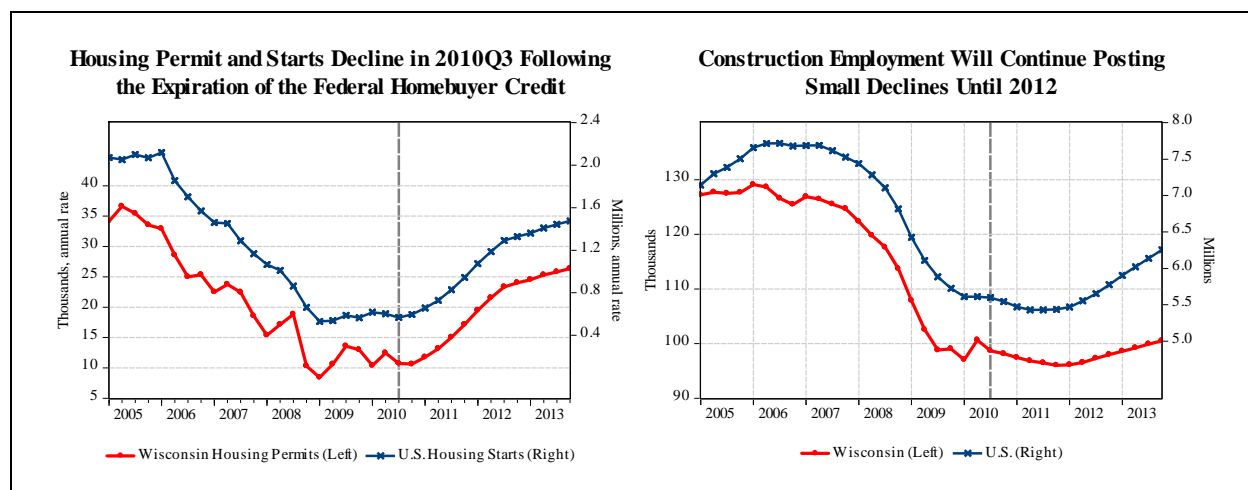
The Bureau of Labor Statistics (BLS) recently released its alternative measures of labor underutilization for states. The more inclusive of these measures is the U-6 rate, which measures the total unemployed, all marginally attached workers,² and workers working part-time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers. In part, this measure accounts for the distortion in the unemployment rate due to people leaving the labor force. BLS publishes this alternative measure for the states on annual averages. The latest released data was for the period third quarter 2009 through the second quarter 2010. This is the first period in which the Wisconsin U-6 rate did not increase, but rather stayed at 15.1%, the same rate for the previous annual period ending the first quarter of 2010. The current rate is 3 percentage points higher than the 11.9% registered a year earlier. The Wisconsin U-6 rate continues to be lower than the national rate of 16.7%.

Details of the Wisconsin employment forecast are presented in Appendices 1 and 2.

Housing

The Housing sector is showing mixed signals at the national and state level, but seems to be near its bottom. However, the recent issue of questionable foreclosure documentation, weak job creation, and the lowest household formation rate since World War II pose significant risks to the expected recovery. The federal homebuyers' tax credit and its extension through April 2010 has mainly shifted sales to the first half of 2010. The third quarter of 2010 already showed declines in Wisconsin housing permits and U.S. housing starts. The housing sector is expected to move sideways in the last quarter of 2010 and return to growth in 2011.

Chart I.6



² Marginally attached workers (Current Population Survey): Persons not in the labor force who want and are available for work, and who have looked for a job sometime in the prior 12 months (or since the end of their last job if they held one within the past 12 months), but were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey. Discouraged workers are a subset of the marginally attached.

Wisconsin building permits fell 13.9% between the second and third quarter of 2010 to 10,700 permits. Permits will stay flat in the last quarter of the year (see left panel of Chart I.6). Year-over-year Wisconsin permits fell 21.0% in the third quarter of 2010. This follows three straight quarters posting growth rates around 20%.

Wisconsin permits have been declining since their peak at 42,700 in the last quarter of 2003. The forecast still signals a trough for permits in early 2009 at the national and state level, but expects the level of permits in 2013 to be at 63.4% of the level back in 2003. At the national level, housing starts in 2013 will be at 68.6% of their peaked 2005 level.

Wisconsin existing home sales increased for the fourth straight quarter. According to the Wisconsin Realtors Association, Wisconsin existing home sales also increased 19.4% year-over-year in the second quarter of 2010, outperforming the nation (17.3%) and just below the Midwest region (20.9%). This is the third quarter that existing home sales posted double digit growth rates. The median home price statewide remained constant in the last two quarters, falling just 0.1% to \$144,900 compared to a year ago. Median prices in the nation increased 1.5% to \$176,900 from a year ago.

The Federal Housing Finance Agency (FHFA) releases a different measure of home prices. The last release of its Purchase-Only House Price Index shows an improvement in prices from the previous quarter. According to this measure, home prices in Wisconsin started to fall in early 2008, though not as hard as in other parts of the country. The Wisconsin Purchase-Only House Price Index increased 0.5%, while the nation saw an increase of 0.9% from the first quarter of 2010. Wisconsin prices in the second quarter of 2010 declined 3.1% from a year earlier, while the nation posted a decline of 1.6% from the previous year.

High foreclosure and delinquency rates and a mild employment recovery are posing risks to the recovery of the housing sector. Foreclosures and mortgage delinquencies are still high. RealtyTrac's foreclosure data show the number of foreclosure filings³ nationwide increased 3.9% in the third quarter of 2010, while Wisconsin's foreclosures were flat from the previous quarter. However, Wisconsin foreclosures were up 15.6% from the previous year, while U.S. foreclosures declined 0.8% from a year earlier. Wisconsin ranks 18th in the nation, with one out of 199 households in foreclosure in the second quarter of 2010. This compares to one out of every 139 households in foreclosure nationwide, and one out of every 29 households in foreclosure in Nevada, which leads the ranking. The current halt in foreclosures due to the documentation issue adds another risk, given that foreclosure sales account for nearly one-third of all sales.

Delinquency rates for mortgage loans are showing signs of stabilization. Delinquency rates in the second quarter of 2010 were down from the previous quarter, but still higher than a year ago. The Mortgage Bankers Association of America reported that the national delinquency rate for mortgage loans on one-to-four-unit residential properties dropped to a seasonally adjusted rate of 9.85% of all loans outstanding as of the end of the second quarter of 2010. This is a decrease of 21 basis points from 9.65% in the first quarter of 2010, and an increase of 61 basis points from one year ago (10.46%).

The Office of the Comptroller of the Currency and the Office of Thrift Supervision released the U.S. Mortgage Metrics Report for the second quarter of 2010. The report states, "The credit quality of first-lien mortgages serviced by the largest national banks and thrifts remained steady during the second quarter of 2010." Mortgage delinquency levels remained steady but elevated after rising for several quarters. Completed foreclosures were up, while newly initiated foreclosures were down. The percentage of current and performing mortgages was unchanged from the previous quarter at 87.3%, but lower than the 88.6% registered a year earlier. Completed foreclosures increased by 7% during the quarter to nearly 163,000, a 54.0% increase from a year earlier.

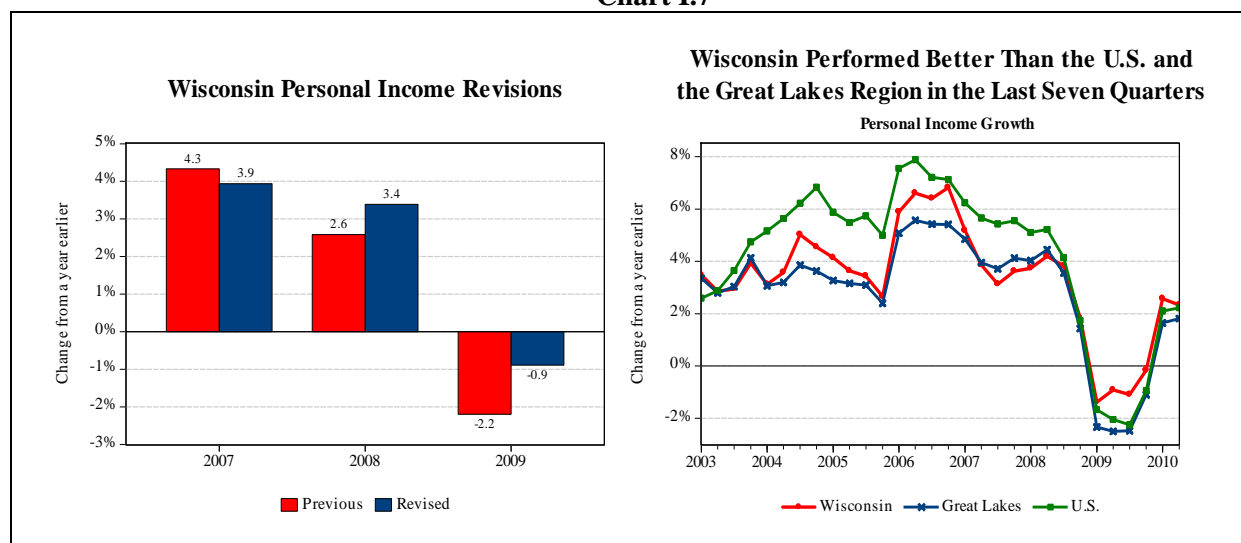
³ Foreclosure filings include default notices, scheduled auctions and bank repossessions.

The commercial real estate sector remains a risk to the economic recovery in general, and to the recovery of the construction and financial sectors in particular. Spending on buildings fell at an 18% annualized rate in the second quarter, after 30%-plus declines in the previous two quarters. IHS Global Insight expects nonresidential construction to decline significantly in the third quarter (down 21%), but then foresees declines of gradually diminishing severity through mid-2011.

Income Revisions

The U.S. Bureau of Economic Analysis (BEA) released preliminary second quarter 2010 personal income estimates on September 20, 2010. It also revised its quarterly and annual estimates of state personal income beginning with the first quarter of 2001. Further revisions to these figures and the estimate for the third quarter of 2010 will be released in late December by BEA. The revised numbers show that personal income in Wisconsin declined less than in the U.S. and the Great Lakes region during 2009. As shown on the right panel of Chart I.7, Wisconsin personal income growth continued to outperform the region during the recent recession, and it also outperformed the U.S. since late 2008.

Chart I.7



Wisconsin personal income was revised up since the first quarter of 2008. The revised figures show that total personal income declined just 0.9% in 2009, less than the originally estimated decline of 2.2% (see left panel of Chart I.7). Total personal income was revised to show a 3.9% increase in 2007 and 3.4% increase in 2008. The decline of 0.9% of Wisconsin personal income in 2009 was well below the nationwide 1.7% decline and the 2.1% decline in the Great Lakes region. Wisconsin outperformed all the other states in the Great Lakes region in 2009: Illinois (-2.4%), Ohio (-1.3%), Indiana (-2.4%), and Michigan (-3.1%).

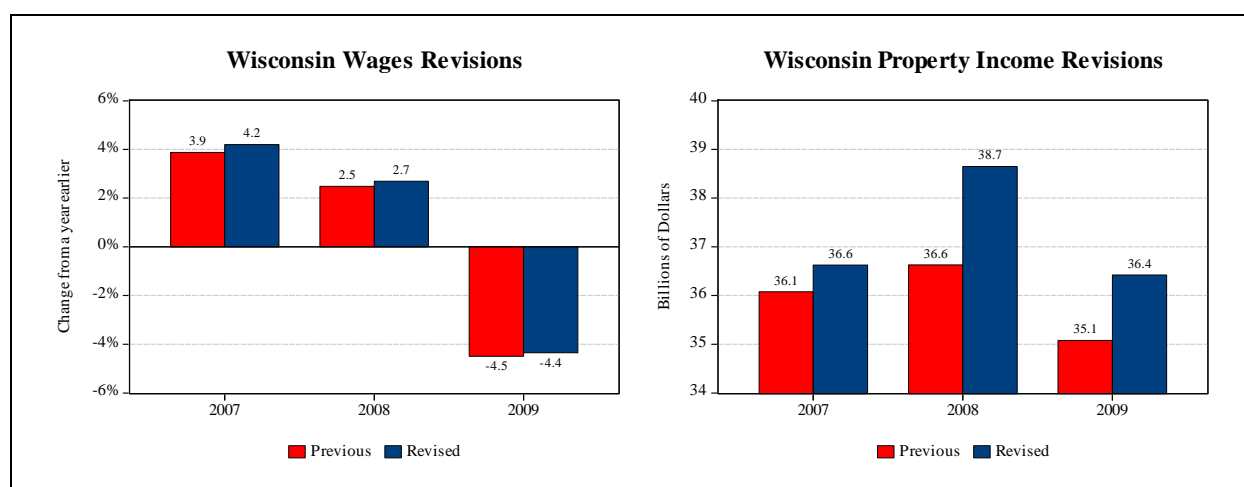
The revisions were quite significant at 1.6% or \$3.3 billion in 2009, and 0.4% or \$800 million in 2007 and 2008. Total personal income was revised down by \$820 million in 2007, but this was offset with an upward revision of \$830 million in 2008. Wisconsin personal income in 2009 was revised up by \$3.3 billion to \$211.5 billion. Upward revisions to wages, property income and transfers receipts account for this increase.

The property income component - dividends, interest and rent - was revised up by \$1.3 billion in 2009 (see right panel of Chart I.8). Property income was also significantly revised up in 2008 (\$2.0 billion), mainly due to higher than originally estimated dividends income, but interest and rent income were also revised upward. Personal current transfer receipts posted a sizable upward revision of \$2.6 billion in 2009.

Wage and salary disbursements account for more than half of total personal income. This component showed significant upward revisions in the 2007-2009 period. Wages and salaries were revised up by \$340 million (0.3%) in 2007, \$590 million (0.5%) in 2008, and \$730 million (0.7%) in 2009. The revised estimates show higher growth than previously estimated (see left panel of Chart I.8). Wisconsin wages fell 4.4% in 2009, almost the same decline seen at the national level (4.3%). This is the first time there has been a decline in wages on the state and national level since 1958, highlighting the uniqueness of the recent recession.

Supplements to wages and salaries⁴ were revised downward quite significantly in 2007 (-3.5% or \$930 million) and 2008 (-1.6% or \$430 million). After the revision, supplements to wages and salaries show the first annual decline in recorded history. Following the unusual decline in 2007, supplements to wages and salaries grew 5.0% in 2008 and 1.2% in 2009.

Chart I.8



Proprietors' income was revised down in 2008 and 2009, close to \$1.3 billion each year. Most of the downward revision came from nonfarm proprietors' income. Farm proprietors' income revisions were relatively small considering the volatility of this component.

According to BEA's quarterly preliminary estimates for 2010, personal income in Wisconsin grew 2.6% and 2.3% year-over-year in the first and second quarters of 2010. The mild recovery of the labor market was also reflected in the changes in wages and salaries, which declined year-over-year 0.7% in the first quarter, but inched 0.1% upward in the second quarter of 2010. Looking at changes from the preceding quarter, wages declined 0.3% in the first quarter of 2010, but advanced 0.8% in the second quarter, signaling the first quarter of 2010 as the trough for wages in the recent recession.

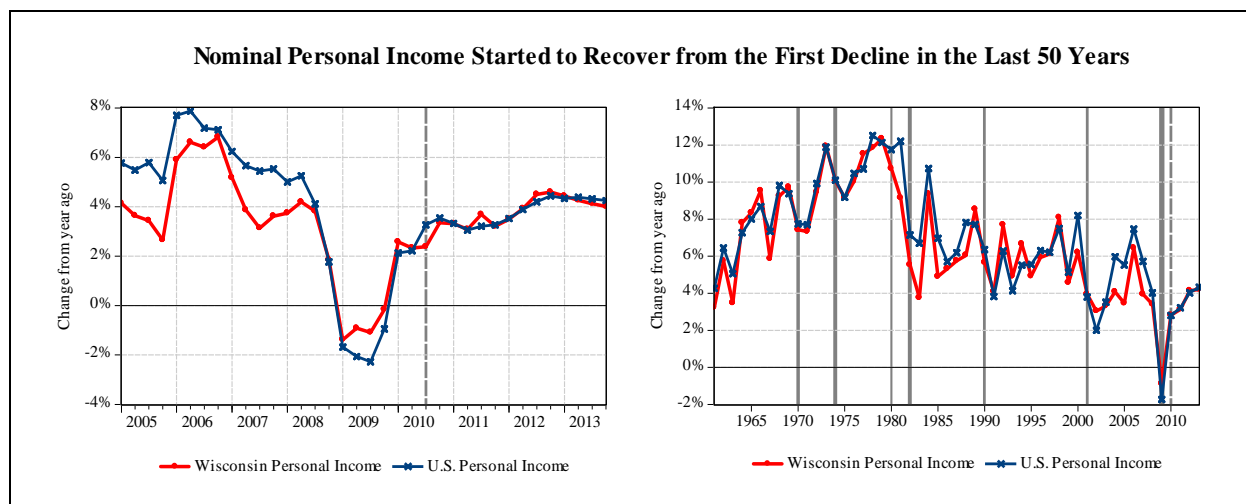
Income Outlook

Personal income data shows Wisconsin and U.S. personal income recovering from the first year-over-year decline in 50 years (see right panel of Chart I.9). After declining 0.9% in 2009, Wisconsin personal income growth resumed in the first two quarters of 2010, posting 2.6% and 2.3% year-over-year growth, respectively (see left panel of Chart I.9). The forecast then expects growth around 3.0% in the last two quarters of 2010, and annual increases of 3.1% and 4.1% in 2011 and 2012. This is similar to the expected growth rates at the national level.

⁴ This component of personal income consists of employer contributions for employee pension and insurance funds and of employer contributions for government social insurance.

When considering the impact of inflation as a result of the 3.3% increase in the personal consumption expenditures price index, real Wisconsin personal income was almost flat in 2008. The recession kept inflation at 0.2%, in 2009 due to the severe contraction in demand, as well as excess capacity in product and labor markets. Thus, real personal income posted a 1.1% decline for Wisconsin and a 1.9% for the U.S. in 2009.

Chart I.9



Inflation will pick up some speed as the economy recovers, but increases will remain below 2% for the next three years due to the slow pace of the recovery. IHS Global Insight expects prices to increase just 1.8% in 2010 and 1.4% in 2011, helping the growth in real personal income. The forecast calls for real Wisconsin personal income to grow 1.0% in 2010 and 1.7% in 2011. As the economy recovers steam, prices will increase 1.5% and 1.7% in 2012 and 2013, still below the Federal Reserve's 1-2% comfort zone, yielding a 1.7% and 2.5% increase of real personal income in 2012 and 2013.

Personal Income Components

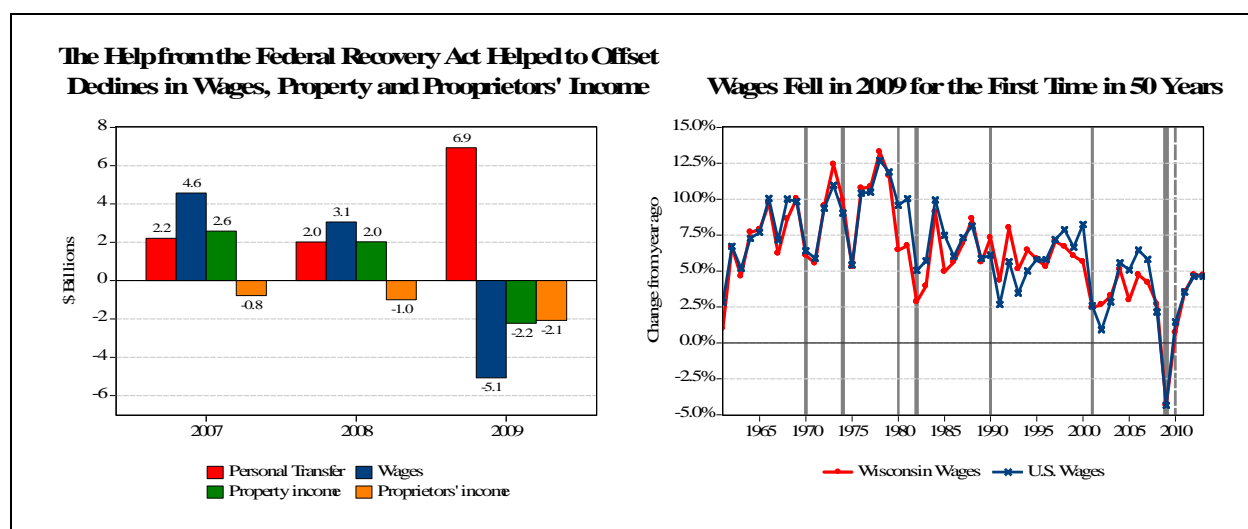
The decline of 0.9% (or \$1.9 billion) of total personal income in 2009 was mainly the result of declines in wages, property and proprietors' income. It was largely offset by the increase in personal transfers (see left panel of Chart I.10). Wages in Wisconsin and nationwide also fell in 2009 for the first time in the last 50 years, as shown on the right panel of Chart I.10. Wisconsin wages and salaries fell 4.4% in 2009, similar to the U.S. decline of 4.3%. During the first quarter of 2010, Wisconsin wages declined 0.7% year-over-year, but were flat in the second quarter. The forecast expects moderate growth in the second half of the year, posting a final annual increase of 0.7% in 2010. The slow recovery of the labor markets is expected to yield a 3.6% growth of wages in 2011, but strong recovery of 4.7% is forecasted for 2012 and 2013. Adjusting for inflation, real wages and salaries declined 4.5% in 2009 in Wisconsin and nationwide. They will post another decline in 2010 before retuning to growth in 2011.

The other two income components posting sizeable declines in 2009 were property and proprietors' income. Property income declined 5.8% (or \$2.2 billion) in 2009. Proprietor's income declined 14.9%, or \$2.1 billion. A \$6.9 billion increase in personal transfers largely offset these losses.

The personal current transfer component of personal income increased 21.7% (or \$6.9 billion) in 2009, mainly due to the expected increase of personal transfer receipts due to high unemployment and the implementation of the federal recovery act. Excluding the transfer components from total personal income, Wisconsin income

would have fallen 4.9%, instead of 0.9%. U.S. personal income would have fallen 4.5%, instead of 1.7%. This component of personal income consists of payments to individuals and to nonprofit institutions by federal, state, and local governments and by businesses. Social security payments and Medicare account for more than 60% of total Wisconsin personal current transfer receipts. Wisconsin personal current transfer receipts will grow another 8.9% in 2010, but will post moderate growth rates throughout the rest of the forecasted period as the economy recovers.

Chart I.10



After a difficult year, proprietor's income grew 7.9% and 11.9% year-over-year in the first two quarters of 2010. The forecast calls for a 10.0% increase in 2010 and about 4.0% in the next two years. Property income declined 5.8% in 2009, fell another 2.2% year-over-year in the first quarter of 2010, but was flat in the second quarter. Moderate increases in the second half of 2010 will result in a small increase of property income in 2010. The forecast calls for 1.6% growth in 2011 and above 3.6% growth for the next two years.

Supplements to wages and salaries grew 1.2% in 2009 and are expected to grow 2.7% in 2010. The forecast calls for a 4.0% growth of supplements to wages and salaries income in 2011 and 5.2% the next two years.

The net decline of property income in 2009 was the result of declines in dividend and interest income, partly offset by an increase of rental income. After three years of declines, rental income climbed 60.6% in 2008 and 24.9% in 2009. It is now expected to grow 12.0% in 2010, after which it will decline again throughout 2013.

Dividend income fell 1.1% in 2008 and 13.1% in 2009. The forecast calls for dividend income to grow 1.8% in 2010 and 8.1% in 2011. Interest income grew 3.6% in 2008 and declined 6.7% in 2009. The forecast calls for another decline of 3.6% in 2010 and a small decline of 0.1% in 2011. The decline of interest income is mainly a consequence of the Federal Reserve policy of easing interest rates in response to the economic crisis. Given the risks of deflation, IHS Global Insight now expects the Federal Reserve to refrain from increasing interest rates until 2012. Personal interest income is expected to resume growth in 2012 (3.4%), posting growth of 6.1% in 2013.

Related Income Measures

Despite the decline of personal income, Wisconsin disposable personal incomes (total after-tax income available for spending or saving) increased 1.8% in 2009, due to the large decline of total personal taxes.

The federal fiscal recovery package helped cut federal income personal taxes by a quarter (26%) from \$18 billion in 2008 to \$13.4 billions in 2009. State personal taxes, of which state personal income tax represents 95%, also declined in 2009 (-8%), adding to the increase of disposable personal income. Local government taxes increased just 1% in 2009, but they represent just 0.1% of total personal taxes.

Personal tax payments will stay almost flat in 2010 and return to moderate growth in 2011. The forecast expects that total personal taxes will not reach the pre-recession level until 2013. This will help disposable income to maintain steady growth between 2010 and 2013.

Details of the Wisconsin income forecast are presented in Appendices 3 and 4.

Chart I.10

WI Personal Current Taxes (thousands)	2005	2006	2007	2008	2009
Total Personal Current Taxes	21,055,030 10%	23,395,706 11%	24,812,184 6%	25,244,672 2%	20,021,606 -21%
Federal government (Income Taxes)	15,003,670 13%	16,965,703 13%	18,072,203 7%	18,035,658 0%	13,409,632 -26%
State government	6,020,673 4%	6,397,599 6%	6,711,459 5%	7,180,867 7%	6,583,625 -8%
Local governments	30,687 14%	32,404 6%	28,522 -12%	28,147 -1%	28,349 1%

APPENDIX 1

WISCONSIN EMPLOYMENT FORECAST: INDUSTRY DETAIL
(THOUSANDS OF WORKERS)

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Total Nonfarm	2,866.2	2,884.2	2,878.1	2,748.3	2,724.4	2,751.3	2,810.9	2,865.0
% Change	0.9	0.6	-0.2	-4.5	-0.9	1.0	2.2	1.9
Private Nonfarm	2,451.0	2,468.2	2,456.2	2,323.7	2,300.0	2,330.7	2,387.7	2,438.5
% Change	1.0	0.7	-0.5	-5.4	-1.0	1.3	2.4	2.1
Natural Resources & Mining	3.9	3.6	3.4	3.0	3.1	3.1	3.1	3.1
% Change	-0.8	-7.2	-7.1	-11.4	4.2	-0.4	-1.5	-0.1
Construction	127.5	125.9	118.4	102.1	98.6	96.7	97.0	99.6
% Change	0.0	-1.2	-6.0	-13.8	-3.4	-2.0	0.3	2.7
Manufacturing	505.7	501.3	492.9	435.4	428.1	440.0	454.4	468.5
% Change	0.2	-0.9	-1.7	-11.7	-1.7	2.8	3.3	3.1
Trade, Transportation & Utilities	544.5	547.1	540.8	515.7	502.7	503.1	513.8	523.6
% Change	0.2	0.5	-1.1	-4.6	-2.5	0.1	2.1	1.9
Information	49.3	50.2	50.2	48.0	47.0	47.4	48.6	49.5
% Change	-0.9	1.9	-0.1	-4.4	-1.9	0.7	2.5	2.0
Financial Activities	161.8	163.1	164.1	160.1	155.8	153.8	155.0	156.4
% Change	1.3	0.8	0.6	-2.4	-2.7	-1.3	0.8	0.9
Professional & Business Services	270.7	278.8	281.4	255.4	253.8	264.3	277.3	288.2
% Change	3.0	3.0	0.9	-9.2	-0.6	4.1	4.9	3.9
Education & Health Services	392.0	398.7	406.6	414.1	422.2	432.8	444.6	451.4
% Change	2.3	1.7	2.0	1.8	1.9	2.5	2.7	1.5
Leisure & Hospitality	259.5	262.0	259.4	252.0	251.5	252.4	254.5	256.3
% Change	1.7	1.0	-1.0	-2.9	-0.2	0.3	0.8	0.7
Other Services	136.0	137.6	139.0	137.8	137.0	137.1	139.6	141.9
% Change	0.0	1.2	1.0	-0.9	-0.6	0.1	1.8	1.6
Government	415.2	416.0	421.9	424.7	424.3	420.7	423.2	426.5
% Change	0.0	0.2	1.4	0.7	-0.1	-0.9	0.6	0.8
Federal Government	29.2	29.2	29.6	30.1	31.6	29.6	28.7	28.1
% Change	-0.1	0.0	1.5	1.5	5.1	-6.5	-2.9	-2.1
State & Local Government	386.0	386.8	392.2	394.6	392.7	391.1	394.4	398.4
% Change	0.0	0.2	1.4	0.6	-0.5	-0.4	0.8	1.0

Household Survey Employment Measures

Labor Force	3,073.7	3,094.3	3,081.9	3,081.6	3,038.3	3,048.4	3,071.6	3,094.4
% Change	1.3	0.7	-0.4	0.0	-1.4	0.3	0.8	0.7
Employment	2,929.2	2,947.4	2,932.7	2,820.5	2,789.9	2,813.0	2,852.9	2,894.1
% Change	1.3	0.6	-0.5	-3.8	-1.1	0.8	1.4	1.4
Unemployment Rate (%)	4.7	4.7	4.8	8.5	8.2	7.7	7.1	6.5

APPENDIX 2

WISCONSIN EMPLOYMENT FORECAST: INDUSTRY DETAIL
(THOUSANDS OF WORKERS)

Quarterly Data (Seasonally Adjusted, % Change at an Annual Rate)

	History				Forecast			
	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3
Total Nonfarm	2,709.7	2,711.0	2,728.5	2,726.8	2,731.1	2,734.3	2,744.9	2,754.4
% Change	-1.9	0.2	2.6	-0.2	0.6	0.5	1.6	1.4
Private Nonfarm	2,282.5	2,285.0	2,299.2	2,305.4	2,310.6	2,315.1	2,324.1	2,334.4
% Change	-3.5	0.4	2.5	1.1	0.9	0.8	1.6	1.8
Natural Resources & Mining	3.0	3.1	3.0	3.2	3.2	3.1	3.1	3.1
% Change	9.5	14.2	-4.3	23.9	-3.6	-3.4	-3.6	-2.9
Construction	99.0	97.0	100.7	98.7	98.1	97.5	96.9	96.5
% Change	0.8	-7.8	15.8	-7.6	-2.2	-2.6	-2.6	-1.6
Manufacturing	419.9	423.0	429.3	429.1	431.2	434.3	438.0	442.0
% Change	-6.2	2.9	6.2	-0.2	2.0	2.9	3.5	3.7
Trade, Transportation & Utilities	505.7	501.0	502.2	504.0	503.6	502.6	501.8	502.6
% Change	-6.1	-3.6	1.0	1.4	-0.3	-0.8	-0.6	0.6
Information	47.1	47.0	47.1	47.0	47.0	47.1	47.3	47.4
% Change	-4.1	-1.1	0.6	-0.3	0.0	0.8	1.1	1.3
Financial Activities	157.6	156.6	156.5	155.5	154.6	154.1	153.8	153.6
% Change	-4.6	-2.6	-0.3	-2.5	-2.4	-1.3	-0.8	-0.3
Professional & Business Services	248.7	251.8	253.2	254.0	256.2	259.0	262.7	265.8
% Change	-5.5	5.1	2.4	1.3	3.5	4.5	5.8	4.8
Education & Health Services	415.8	417.7	419.9	424.1	427.1	428.5	431.2	433.9
% Change	2.7	1.8	2.2	4.1	2.8	1.3	2.6	2.5
Leisure & Hospitality	249.1	251.4	249.9	252.3	252.6	252.2	252.4	252.3
% Change	-2.3	3.7	-2.4	4.0	0.4	-0.6	0.4	-0.1
Other Services	136.5	136.5	137.3	137.3	137.0	136.7	136.9	137.1
% Change	-3.2	-0.2	2.5	0.1	-1.0	-0.7	0.5	0.6
Government	427.2	426.0	429.4	421.5	420.5	419.3	420.8	420.0
% Change	7.4	-1.1	3.2	-7.2	-0.9	-1.2	1.5	-0.7
Federal Government	29.6	30.2	35.4	31.0	29.9	29.8	29.6	29.5
% Change	0.9	7.9	88.9	-41.0	-13.3	-1.5	-3.0	-0.8
State & Local Government	397.6	395.8	394.0	390.5	390.6	389.5	391.2	390.5
% Change	7.9	-1.8	-1.8	-3.5	0.1	-1.2	1.8	-0.7

Household Survey Employment Measures

Labor Force	3,035.9	3,038.9	3,048.9	3,030.4	3,035.1	3,038.9	3,046.3	3,050.7
% Change	-4.8	0.4	1.3	-2.4	0.6	0.5	1.0	0.6
Employment	2,775.0	2,773.5	2,798.5	2,792.8	2,794.8	2,799.7	2,809.2	2,815.7
% Change	-3.7	-0.2	3.7	-0.8	0.3	0.7	1.4	0.9
Unemployment Rate (%)	8.6	8.7	8.2	7.9	7.9	7.9	7.8	7.7

APPENDIX 3

WISCONSIN INCOME SUMMARY
PERSONAL INCOME BY MAJOR SOURCE
(\$ Billions)

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Total Personal Income	198.556	206.380	213.379	211.478	217.417	224.207	233.471	243.279
% Change	6.4	3.9	3.4	-0.9	2.8	3.1	4.1	4.2
Wages and Salaries	108.900	113.472	116.532	111.453	112.249	116.254	121.733	127.451
% Change	4.7	4.2	2.7	-4.4	0.7	3.6	4.7	4.7
Supplements to Wages and Salaries	26.171	25.804	27.106	27.441	28.194	29.327	30.848	32.456
% Change	2.8	-1.4	5.0	1.2	2.7	4.0	5.2	5.2
Proprietor's Income	15.658	14.876	13.874	11.802	12.981	13.513	14.015	14.256
% Change	4.8	-5.0	-6.7	-14.9	10.0	4.1	3.7	1.7
Property Income	34.046	36.623	38.652	36.423	36.460	37.045	38.377	39.796
% Change	16.6	7.6	5.5	-5.8	0.1	1.6	3.6	3.7
Rental Income	2.567	2.367	3.803	4.748	5.319	4.974	4.208	3.231
% Change	-18.1	-7.8	60.6	24.9	12.0	-6.5	-15.4	-23.2
Personal Dividend Income	12.388	13.344	13.193	11.466	11.668	12.613	14.054	15.225
% Change	25.8	7.7	-1.1	-13.1	1.8	8.1	11.4	8.3
Personal Interest Income	19.091	20.912	21.657	20.210	19.473	19.458	20.115	21.340
% Change	17.8	9.5	3.6	-6.7	-3.6	-0.1	3.4	6.1
Personal Current Transfer Receipts	27.755	29.962	31.974	38.913	42.377	43.500	44.830	46.944
% Change	5.9	7.9	6.7	21.7	8.9	2.6	3.1	4.7
Residence Adjustment	3.393	3.654	3.773	3.544	3.628	3.818	4.058	4.308
% Change	5	7.7	3.3	-6.1	2.4	5.3	6.3	6.2
Contributions to Government Social Ins.	17.366	18.010	18.532	18.097	18.472	19.250	20.390	21.932
% Change	5.5	3.7	2.9	-2.3	2.1	4.2	5.9	7.6

Related Income Measures

Personal Income (2005 \$) (\$ Billions)	193.240	195.503	195.659	193.561	195.559	198.868	203.929	208.951
% Change	3.6	1.2	0.1	-1.1	1.0	1.7	2.5	2.5
Per Capita Income (2005 \$)	34,683	34,901	34,768	34,230	34,411	34,812	35,513	36,207
% Change	3.0	0.6	-0.4	-1.5	0.5	1.2	2.0	2.0
Per Capita Income (\$)	35,637	36,843	37,916	37,398	38,257	39,248	40,658	42,155
% Change	5.9	3.4	2.9	-1.4	2.3	2.6	3.6	3.7
Personal Tax & Nontax Payments	23.396	24.812	25.245	20.022	20.168	21.240	23.952	27.521
% Change	11.1	6.1	1.7	-20.7	0.7	5.3	12.8	14.9
Disposable Personal Income	175.16	181.568	188.134	191.456	197.249	202.968	209.519	215.758
% Change	5.8	3.7	3.6	1.8	3.0	2.9	3.2	3.0
GDP (Current Dollars)	224.918	233.406	240.429	235.950	242.540	250.018	260.911	272.259
% Change	4.7	3.8	3.0	-1.9	2.8	3.1	4.4	4.3
GDP (2005 \$) (\$ Billions)	217.811	219.571	221.394	215.247	219.185	222.762	229.247	235.492
% Change	1.4	0.8	0.8	-2.8	1.8	1.6	2.9	2.7

* 2009 Rental, Personal Dividend, and Personal Interest Income are forecast. BEA's estimate for 2009 will be released in September, 2011
 ^ 2009 State GDP is forecast. BEA's estimate for 2009 will be release in November, 2010.

APPENDIX 4

WISCONSIN INCOME SUMMARY
 PERSONAL INCOME BY MAJOR SOURCE (\$ Billions)
 Quarterly Data (Seasonally Adjusted, % Change at an Annual Rate)

	History				Forecast			
	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2
Total Personal Income	211.831	213.008	214.579	216.825	218.227	220.037	221.578	223.406
% Change	-0.1	2.2	3.0	4.3	2.6	3.4	2.8	3.3
Wages and Salaries	111.132	111.237	110.923	111.848	112.662	113.565	114.529	115.645
% Change	-2.0	0.4	-1.1	3.4	2.9	3.2	3.4	4.0
Supplements to Wages and Salaries	27.435	27.617	27.858	28.082	28.259	28.577	28.906	29.183
% Change	-0.4	2.7	3.5	3.3	2.5	4.6	4.7	3.9
Proprietor's Income	11.819	12.065	12.701	12.902	13.233	13.088	13.380	13.432
% Change	10.6	8.6	22.8	6.5	10.6	-4.3	9.2	1.6
Property Income	36.017	35.952	36.407	36.523	36.298	36.610	36.742	36.870
% Change	-5.1	-0.7	5.2	1.3	-2.4	3.5	1.4	1.4
Personal Current Transfer Receipts	39.979	40.668	41.382	42.283	42.661	43.182	43.320	43.680
% Change	7.1	7.1	7.2	9.0	3.6	5	1.3	3.4
Residence Adjustment	3.521	3.565	3.571	3.599	3.648	3.692	3.739	3.790
% Change	-1.6	5.1	0.7	3.2	5.6	4.9	5.1	5.6
Contributions to Government Social Ins.	18.072	18.097	18.263	18.412	18.534	18.678	19.037	19.194
% Change	-1.4	0.6	3.7	3.3	2.7	3.2	7.9	3.4

Related Income Measures

Personal Income (2005 \$) (\$ Billions)	193.28	193.059	193.487	195.535	196.203	197.012	197.519	198.533
% Change	-2.9	-0.5	0.9	4.3	1.4	1.7	1.0	2.1

APPENDIX 5

U.S. ECONOMIC FORECAST
IHS GLOBAL INSIGHT (OCTOBER 2010)

	2006	2007	2008	2009	2010	2011	2012	2013
Real GDP and its Components (Billions of Chain Weighted 2000 Dollars)								
Gross Domestic Product	12,976.3	13,228.9	13,228.9	12,880.6	13,221.4	13,510.6	13,913.9	14,285.6
% Change	2.7	1.9	0.0	-2.6	2.6	2.2	3.0	2.7
Consumption	9,073.5	9,289.5	9,265.0	9,153.9	9,298.8	9,512.4	9,715.8	9,855.8
% Change	2.9	2.4	-0.3	-1.2	1.6	2.3	2.1	1.4
Investment (Incl. Inventory)	2,230.4	2,161.6	1,957.3	1,515.7	1,763.2	1,845.4	2,099.7	2,289.7
% Change	2.7	-3.1	-9.5	-22.6	16.3	4.7	13.8	9.0
Nonresidential Structures	384.1	438.2	464.2	369.6	313.5	294.4	303.9	343.4
% Change	9.2	14.1	5.9	-20.4	-15.2	-6.1	3.2	13.0
Business Equipment	1069.6	1109.0	1082.0	916.3	1050.9	1167.3	1282.7	1376.6
% Change	7.4	3.7	-2.4	-15.3	14.7	11.1	9.9	7.3
Residential Fixed	718.2	584.2	444.2	342.7	328.5	351.0	467.2	526.9
% Change	-7.3	-18.7	-24.0	-22.9	-4.1	6.8	33.1	12.8
Inventory Change	59.4	27.7	-37.6	-113.1	64.6	37.7	52.7	46.9
Exports	1,422.1	1,554.4	1,647.7	1,490.7	1,666.5	1,792.4	1,922.0	2,090.4
% Change	9.0	9.3	6.0	-9.5	11.8	7.6	7.2	8.8
Imports	2,151.2	2,209.3	2,151.8	1,853.8	2,082.1	2,203.6	2,328.4	2,425.2
% Change	6.1	2.7	-2.6	-13.8	12.3	5.8	5.7	4.2
Federal Government	894.9	906.1	971.8	1027.6	1063.7	1051.4	1012.5	983.8
% Change	2.1	1.2	7.3	5.7	3.5	-1.2	-3.7	-2.8
State and Local Government	1,507.2	1,528.1	1,532.6	1,518.8	1,502.1	1,510.8	1,514.0	1,531.0
% Change	0.9	1.4	0.3	-0.9	-1.1	0.6	0.2	1.1
GDP (Current Dollars)	13,398.9	14,061.8	14,369.1	14,119.1	14,630.3	15,164.0	15,836.2	16,516.4
% Change	6.0	4.9	2.2	-1.7	3.6	3.6	4.4	4.3
Employment, Unemployment, Wages and Prices								
Nonfarm Employment (Millions)	136.1	137.6	136.8	130.9	130.2	131.4	134.3	137.0
% Change	1.8	1.1	-0.6	-4.3	-0.5	0.9	2.2	2.0
Unemployment Rate (%)	4.6	4.6	5.8	9.3	9.7	9.6	9.1	8.5
Compensation per Hour (% Change)	3.8	4.0	3.3	1.9	1.3	2.4	2.7	3.0
Consumer Price Index (% Change)	3.2	2.9	3.8	-0.3	1.6	1.6	1.9	2.0
Personal Cons. Expenditure Index (% Change)	2.7	2.7	3.3	0.2	1.8	1.4	1.5	1.7
Producer Price Index (% Change)	4.7	4.8	9.8	-8.7	5.9	0.8	2.7	2.2
GDP Price Deflator (% Change)	3.3	2.9	2.2	0.9	0.9	1.4	1.4	1.6
Industrial Production (% Change)	2.2	2.7	-3.3	-9.3	5.3	2.9	3.5	3.7
Price of WTI Crude Oil (\$ Per Barrel)	66.1	72.2	99.8	61.8	77.5	82.6	89.2	93.0
Financial Markets								
Money Supply (M2) (\$ Billions)	6,868.8	7,303.2	7,823.1	8,436.9	8,616.6	9,118.5	9,697.1	10,204.3
% Change	5.3	6.3	7.1	7.8	2.1	5.8	6.3	5.2
Prime Commercial Rate (%)	8.0	8.1	5.1	3.3	3.3	3.3	4.3	6.4
Three Month Treasury Bills (%)	4.7	4.4	1.4	0.2	0.1	0.2	1.4	3.4
Ten-Year Treasury Note Yield (%)	4.8	4.6	3.7	3.3	3.1	2.5	3.1	4.6
General Obligation AAA Municipals (%)	4.2	4.1	4.6	4.3	3.6	3.2	3.6	4.8
Thirty-Year Mortgage Rate (%)	6.4	6.3	6.0	5.0	4.7	4.2	4.8	6.1
S&P 500 Stock Index	1,310.7	1,476.7	1,220.9	946.7	1,116.7	1,166.5	1,261.2	1,342.0
Income, Profits and Savings								
Personal Income (\$ Billions)	11,268.1	11,912.3	12,391.2	12,174.9	12,514.6	12,916.8	13,435.9	14,016.6
% Change	7.5	5.7	4.0	-1.7	2.8	3.2	4.0	4.3
Personal Income (\$ 2005) (\$ Billions)	10,966.4	11,284.0	11,362.0	11,143.6	11,256.4	11,457.0	11,735.8	12,038.8
% Change	4.6	2.9	0.7	-1.9	1.0	1.8	2.4	2.6
Personal Tax & Nontax Payments	1,352.4	1,488.7	1,438.2	1,140.0	1,149.1	1,233.1	1,445.0	1,686.4
% Change	11.9	10.1	-3.4	-20.7	0.8	7.3	17.2	16.7
Disposable Personal Income	9,915.7	10,423.6	10,953.0	11,034.9	11,365.6	11,683.7	11,990.9	12,330.3
% Change	6.9	5.1	5.1	0.7	3.0	2.8	2.6	2.8
Savings Rate (%)	2.4	2.1	4.1	5.9	5.7	5.0	3.9	3.5
Corporate Profits Before Tax (\$ Billions)	1,608.3	1,510.7	1,262.8	1,258.0	1,598.8	1,689.8	1,777.9	1,776.8
% Change	10.5	-6.1	-16.4	-0.4	27.1	5.7	5.2	-0.1

METROPOLITAN AREA OUTLOOK

Wisconsin has twelve metropolitan statistical areas (MSAs). The metropolitan areas account for 67.5% of the population across 21 counties. The remaining 32.5% of the state's population is dispersed among the other 51 counties.

The share of employment is concentrated in Wisconsin's metropolitan areas. In 2009, 72% of the state employment was dispersed among the 12 MSAs. Total personal income is also heavily concentrated in the state's metropolitan areas. Together, the MSAs make up 70.6% of total personal income.

This report details the housing sector and employment sectors of each MSA and provides employment and personal income forecasts through 2013. The forecast is based on the Fall 2010 Wisconsin Economic Outlook, as well as employment data from the U.S. Bureau of Labor Statistics, income data from the U.S. Bureau of Economic Analysis, and housing data from the Wisconsin Realtors' Association and Wisconsin Department of Revenue. Charts comparing the MSA forecasts are found in Appendices 6 through 9.

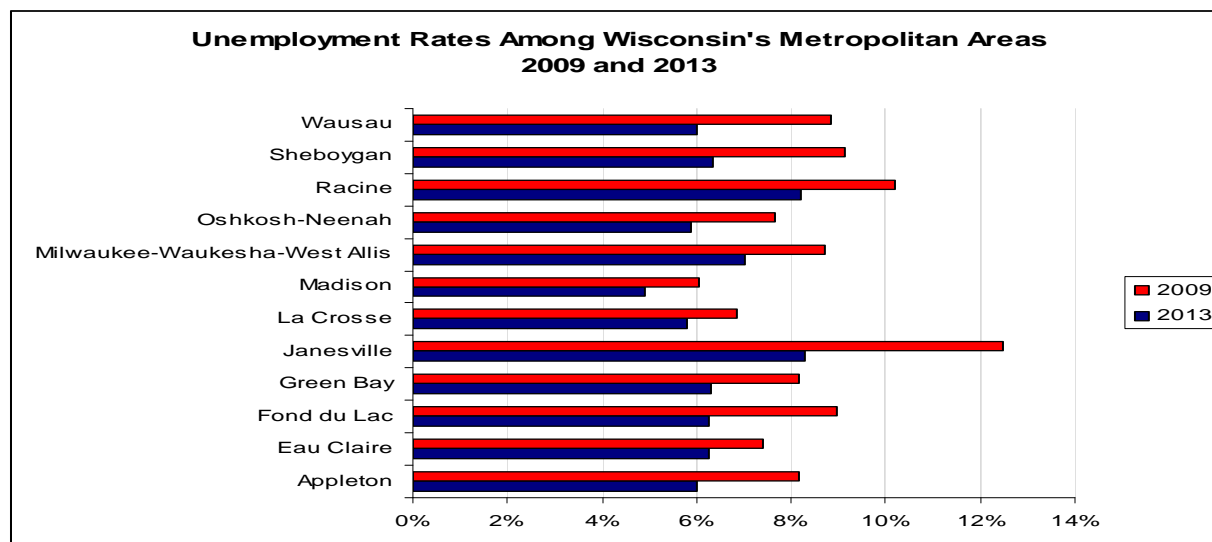
Employment

Total employment fell 4.5% in Wisconsin in 2009. The metropolitan areas of the state also saw employment declines, but at different rates. The Madison MSA fared the best, with a 2.7% decrease in 2009. The Janesville MSA was the hardest hit, with the closing of the General Motors plant and the shuttering of many of its suppliers in December 2008. The three smallest MSAs – Fond du Lac, Sheboygan, and Wausau – also had job losses significantly greater than the state, between 6.6% and 6.8%. The Milwaukee-Waukesha-West Allis MSA, which alone comprises 30% of the state's employment, saw an employment decline of 5.0%. Four of the medium-sized metropolitan areas – Appleton, Green Bay, La Crosse, and Oshkosh/Neenah – had smaller declines than the state as a whole, of less than 4.0%.

All of the state's metropolitan areas are doing better in 2010. Year-over-year employment declines have become smaller and have begun to turn into growth. For the year total, employment will decline in all 12 Wisconsin's metropolitan areas before returning to growth in 2011, 2012, and 2013. Five of the metro areas of the state – Appleton, Green Bay, La Crosse, Madison, and Oshkosh/Neenah – will reach their pre-recession employment levels by the end of the forecast period. The other seven MSAs, and the state as a whole, will not reach their pre-recession employment levels until 2014 or later.

Unemployment rates spiked sharply in early 2009 and remained elevated through early 2010. They have begun to lower, and will continue to decline throughout the forecast period. However, with employment levels breaking their pre-recession levels while the population continues to expand, the unemployment rate will remain above 6% in all but a few of the metropolitan areas of the state. While this is higher than the average over the last two decades, unemployment rates will be significantly lower than their 2009 and 2010 averages. See Chart II.1.

Chart II.1

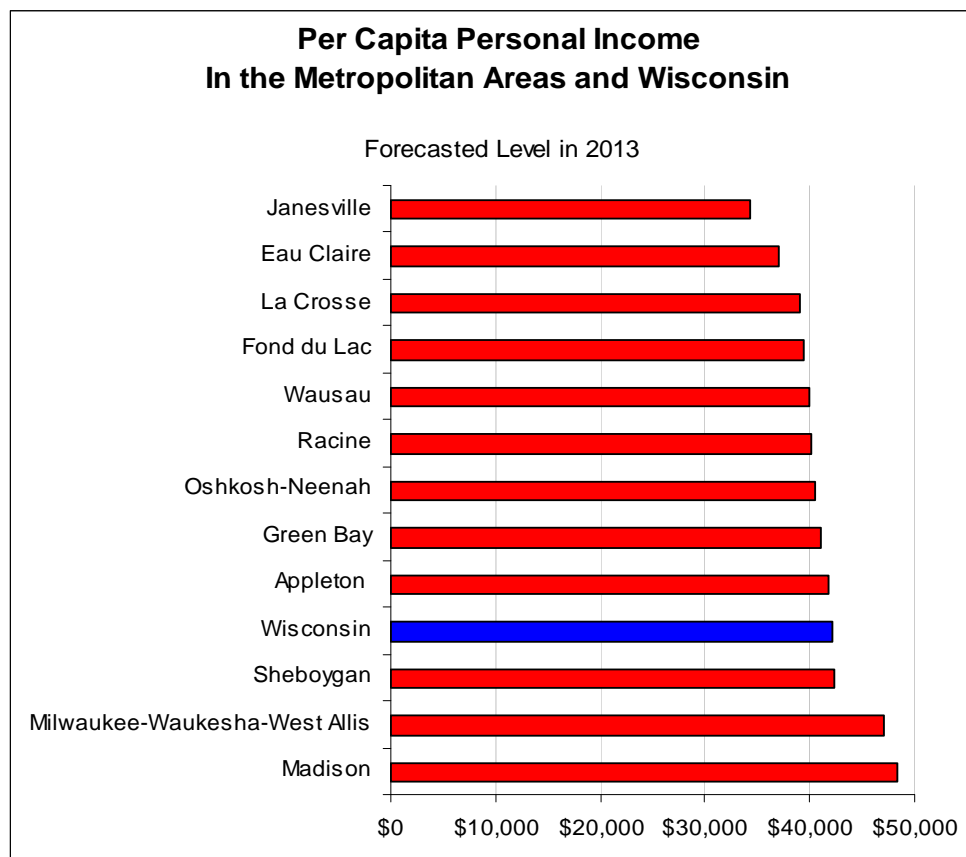


Personal Income

Personal income declined 0.9% in 2009 in Wisconsin. All but the La Crosse MSA saw personal income drop. Most of the areas saw a larger decline than in the state as a whole. Fond du Lac had the steepest decline of 4.1%, followed by Janesville at 3.3%. Eau Claire had the smallest decline at 0.4%. In 2010, personal income is expected to grow in all the metro areas, with increases accelerating towards the end of the forecast period.

Per capita personal income declined in all 12 metropolitan areas in 2009, but will rise during the next four years. In 2013, per capita personal income will range from \$34,396 in the Janesville MSA to \$48,367 in the Madison MSA. The forecasted per capita personal income in 2013 for each area and Wisconsin is charted below.

Chart II.2



Equalized Values

This report also details the change in equalized values in each of the state's metropolitan areas. Equalized values are produced annually by the Wisconsin Department of Revenue¹ and the report shows residential, commercial, manufacturing, agricultural and other classifications of land and property in the state. An equalized value represents an estimate of a taxation district's total taxable value, and provides for the fair apportionment of taxation district levies (including school districts and counties) to each municipality. Changes in equalized value do not necessarily translate into a change in property taxes.

1. To view the Wisconsin Department of Revenue's report on equalized values, please go to:
<http://www.revenue.wi.gov/equ/report2.html>

Wisconsin property values fared better than most other states last year. The equalized values are based on data from January 1, 2009 and January 1, 2010, when the national economy and housing market dipped to its lowest point. Statewide, total equalized values decreased 3.1% between January 1, 2009 and January 1, 2010; residential property values decreased 3.5% while commercial property values decreased 2.4%.

Compared to the national average drop in home values of 5.6 percent, Wisconsin's real estate market shows stability and continues to avoid the dramatic fluctuations in values seen across the country. Other states like Nevada, Florida, Oregon and Arizona have seen declines in property value of 10 percent or more. Neighboring states of Minnesota, Michigan and Illinois have seen declines over 7 percent in property value.

Residential values declined in most of the metropolitan areas. The Janesville MSA saw the largest decline, at 6.0%, and Fond du Lac had the smallest decline, of 0.2%. Two areas saw residential value increases: the Appleton MSA increased 0.2%, while Eau Claire grew 1.1%.

Chart II.3

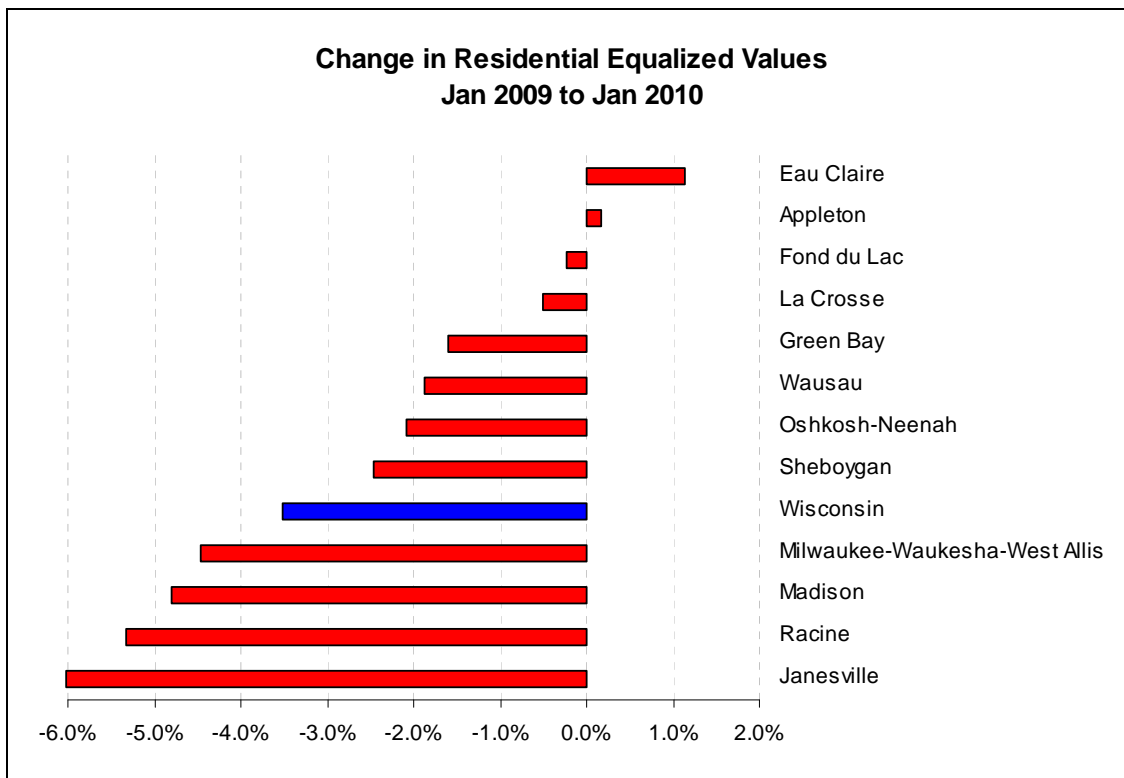
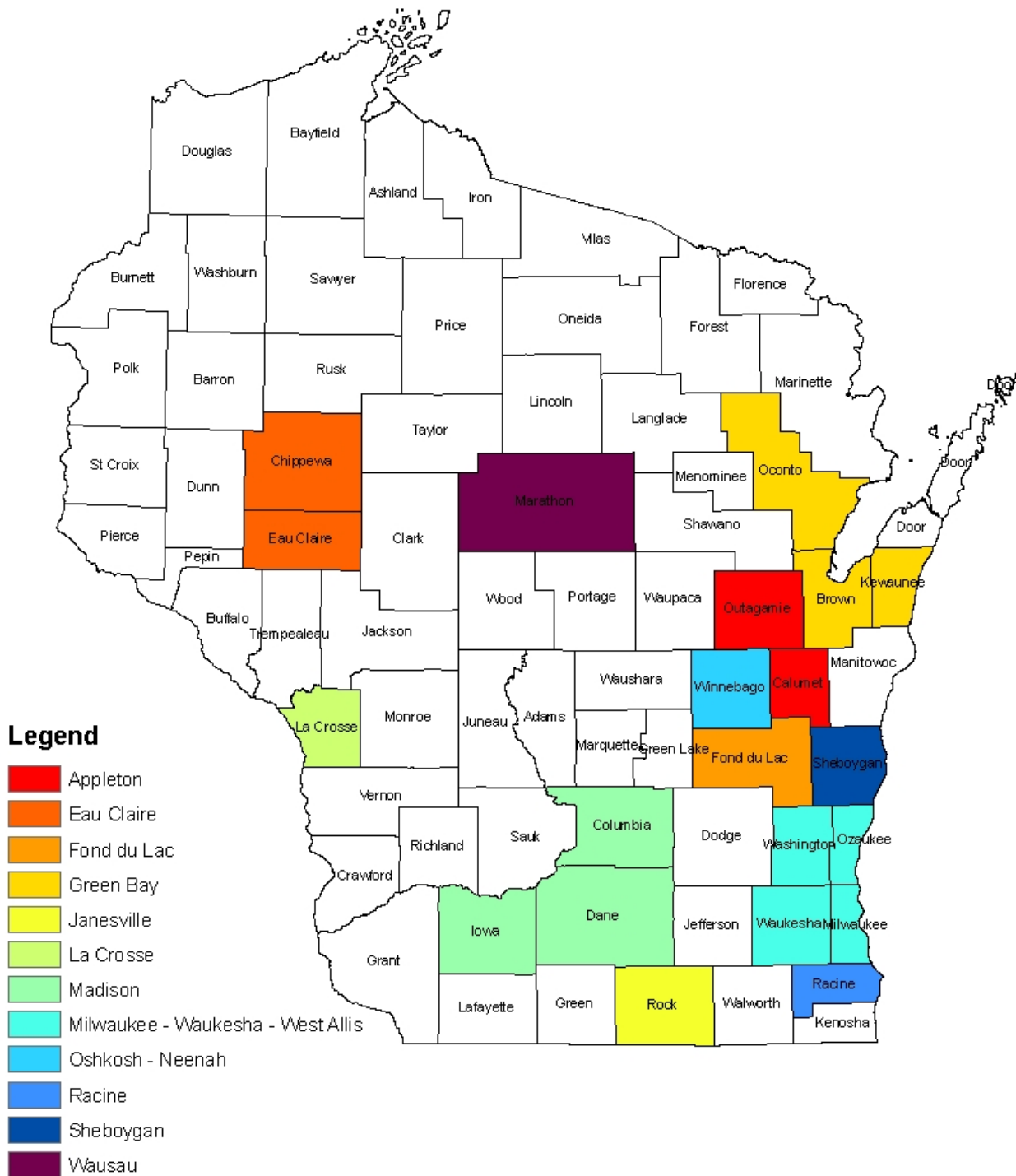


FIGURE I

Wisconsin's 12 Metropolitan Statistical Areas (MSAs)

Economic Information for Wisconsin's 12 Largest Cities & Surrounding Counties



APPENDIX 6
TOTAL NONFARM EMPLOYMENT
WISCONSIN'S METROPOLITAN STATISTICAL AREAS
(Thousands)

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Appleton	118.6	119.2	119.4	114.9	113.8	115.0	117.7	120.2
<i>Percent Change</i>	0.5%	0.5%	0.2%	-3.8%	-1.0%	1.0%	2.4%	2.2%
Eau Claire	82.3	83.6	82.6	78.6	78.4	79.1	80.9	82.6
<i>Percent Change</i>	2.9%	1.6%	-1.2%	-4.9%	-0.3%	0.9%	2.3%	2.1%
Fond du Lac	48.4	48.6	48.1	44.9	44.3	44.9	45.8	46.7
<i>Percent Change</i>	0.3%	0.4%	-0.9%	-6.6%	-1.4%	1.2%	2.2%	1.9%
Green Bay	169.1	170.0	169.2	162.8	162.2	163.8	167.4	170.6
<i>Percent Change</i>	0.5%	0.5%	-0.5%	-3.7%	-0.4%	1.0%	2.2%	1.9%
Janesville	70.1	69.8	68.0	61.4	60.6	60.9	61.8	62.6
<i>Percent Change</i>	1.7%	-0.4%	-2.7%	-9.6%	-1.3%	0.4%	1.5%	1.3%
La Crosse	75.0	75.0	75.5	72.8	72.3	73.3	75.0	76.5
<i>Percent Change</i>	3.5%	0.1%	0.6%	-3.5%	-0.7%	1.4%	2.3%	2.0%
Madison	346.2	347.5	349.1	339.6	335.9	341.0	350.4	359.0
<i>Percent Change</i>	0.4%	0.4%	0.5%	-2.7%	-1.1%	1.5%	2.7%	2.5%
Milwaukee-Waukesha-West Allis	850.5	857.3	852.8	809.8	796.8	803.5	820.9	836.8
<i>Percent Change</i>	1.2%	0.8%	-0.5%	-5.0%	-1.6%	0.8%	2.2%	1.9%
Oshkosh-Neenah	92.2	93.2	94.0	90.9	90.8	91.2	92.7	94.2
<i>Percent Change</i>	0.8%	1.0%	0.9%	-3.4%	-0.1%	0.5%	1.7%	1.6%
Racine	80.6	80.6	79.7	75.1	73.5	74.2	75.7	77.0
<i>Percent Change</i>	0.6%	0.0%	-1.1%	-5.8%	-2.1%	0.9%	2.0%	1.8%
Sheboygan	64.3	64.6	63.6	59.3	58.7	59.5	61.1	62.4
<i>Percent Change</i>	0.9%	0.5%	-1.5%	-6.8%	-1.2%	1.4%	2.6%	2.2%
Wausau	73.4	73.7	72.3	67.5	66.1	66.6	68.0	69.3
<i>Percent Change</i>	0.2%	0.4%	-1.9%	-6.7%	-2.0%	0.7%	2.0%	1.9%
Wisconsin	2,866.2	2,884.2	2,878.1	2,748.3	2,724.4	2,751.3	2,810.9	2,865.0
<i>Percent Change</i>	0.9%	0.6%	-0.2%	-4.5%	-0.9%	1.0%	2.2%	1.9%

APPENDIX 7
UNEMPLOYMENT RATE
WISCONSIN'S METROPOLITAN STATISTICAL AREAS

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Appleton	4.5	4.5	4.6	8.2	7.3	7.2	6.6	6.0
<i>Change from Prior Year</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>3.6</i>	<i>-0.8</i>	<i>-0.2</i>	<i>-0.5</i>	<i>-0.6</i>
Eau Claire	4.4	4.5	4.5	7.4	7.0	7.0	6.5	5.9
<i>Change from Prior Year</i>	<i>-0.2</i>	<i>0.1</i>	<i>0.0</i>	<i>2.9</i>	<i>-0.4</i>	<i>0.0</i>	<i>-0.5</i>	<i>-0.6</i>
Fond du Lac	4.7	4.6	4.8	9.0	7.9	7.5	6.9	6.3
<i>Change from Prior Year</i>	<i>0.0</i>	<i>-0.1</i>	<i>0.2</i>	<i>4.2</i>	<i>-1.1</i>	<i>-0.4</i>	<i>-0.6</i>	<i>-0.7</i>
Green Bay	4.7	4.6	4.7	8.2	7.5	7.4	6.9	6.3
<i>Change from Prior Year</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>3.4</i>	<i>-0.7</i>	<i>-0.1</i>	<i>-0.5</i>	<i>-0.6</i>
Janesville	5.0	5.4	6.2	12.5	10.5	9.9	9.1	8.3
<i>Change from Prior Year</i>	<i>-0.9</i>	<i>0.4</i>	<i>0.8</i>	<i>6.3</i>	<i>-2.0</i>	<i>-0.7</i>	<i>-0.7</i>	<i>-0.8</i>
La Crosse	3.8	4.0	4.2	6.9	6.2	6.0	5.5	5.0
<i>Change from Prior Year</i>	<i>-0.3</i>	<i>0.2</i>	<i>0.2</i>	<i>2.7</i>	<i>-0.7</i>	<i>-0.2</i>	<i>-0.5</i>	<i>-0.5</i>
Madison	3.4	3.5	3.6	6.0	5.7	5.5	5.1	4.6
<i>Change from Prior Year</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>2.4</i>	<i>-0.3</i>	<i>-0.2</i>	<i>-0.4</i>	<i>-0.5</i>
Milwaukee-Waukesha-West Allis	4.9	4.9	4.9	8.7	8.5	8.3	7.7	7.0
<i>Change from Prior Year</i>	<i>-0.2</i>	<i>0.0</i>	<i>0.0</i>	<i>3.8</i>	<i>-0.2</i>	<i>-0.2</i>	<i>-0.6</i>	<i>-0.7</i>
Oshkosh-Neenah	4.4	4.4	4.3	7.7	7.0	6.9	6.4	5.9
<i>Change from Prior Year</i>	<i>0.0</i>	<i>0.0</i>	<i>-0.1</i>	<i>3.3</i>	<i>-0.7</i>	<i>-0.1</i>	<i>-0.5</i>	<i>-0.6</i>
Racine	5.6	5.7	5.7	10.2	9.6	9.4	8.7	7.9
<i>Change from Prior Year</i>	<i>-0.4</i>	<i>0.1</i>	<i>0.0</i>	<i>4.5</i>	<i>-0.6</i>	<i>-0.3</i>	<i>-0.7</i>	<i>-0.8</i>
Sheboygan	3.9	4.1	4.5	9.1	8.4	7.9	7.1	6.4
<i>Change from Prior Year</i>	<i>-0.1</i>	<i>0.2</i>	<i>0.4</i>	<i>4.7</i>	<i>-0.8</i>	<i>-0.4</i>	<i>-0.8</i>	<i>-0.8</i>
Wausau	4.2	4.2	4.5	8.8	8.1	7.3	6.7	6.0
<i>Change from Prior Year</i>	<i>0.1</i>	<i>0.0</i>	<i>0.3</i>	<i>4.3</i>	<i>-0.7</i>	<i>-0.8</i>	<i>-0.6</i>	<i>-0.7</i>
Wisconsin	4.7	4.7	4.8	8.5	8.2	7.7	7.1	6.5
<i>Change from Prior Year</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.1</i>	<i>3.7</i>	<i>-0.3</i>	<i>-0.5</i>	<i>-0.6</i>	<i>-0.6</i>

APPENDIX 8
TOTAL PERSONAL INCOME
WISCONSIN'S METROPOLITAN STATISTICAL AREAS
(\$ Billions)

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Appleton	7.825	8.194	8.417	8.234	8.487	8.802	9.219	9.661
Percent Change	5.8%	4.7%	2.7%	-2.2%	3.1%	3.7%	4.7%	4.8%
Eau Claire	4.907	5.130	5.261	5.240	5.387	5.562	5.804	6.060
Percent Change	6.8%	4.6%	2.6%	-0.4%	2.8%	3.2%	4.4%	4.4%
Fond du Lac	3.344	3.538	3.649	3.501	3.595	3.702	3.850	4.006
Percent Change	4.6%	5.8%	3.1%	-4.1%	2.7%	3.0%	4.0%	4.1%
Green Bay	10.454	10.917	11.204	11.048	11.348	11.714	12.217	12.751
Percent Change	5.4%	4.4%	2.6%	-1.4%	2.7%	3.2%	4.3%	4.4%
Janesville	4.909	5.059	5.098	4.932	5.064	5.214	5.419	5.635
Percent Change	7.5%	3.1%	0.8%	-3.3%	2.7%	3.0%	3.9%	4.0%
La Crosse	4.285	4.479	4.645	4.677	4.802	4.935	5.118	5.311
Percent Change	6.0%	4.5%	3.7%	0.7%	2.7%	2.8%	3.7%	3.8%
Madison	22.973	24.113	24.828	24.480	25.314	26.244	27.476	28.785
Percent Change	7.9%	5.0%	3.0%	-1.4%	3.4%	3.7%	4.7%	4.8%
Milwaukee-Waukesha-West Allis	62.727	64.768	66.396	65.031	66.917	69.133	72.135	75.311
Percent Change	7.7%	3.3%	2.5%	-2.1%	2.9%	3.3%	4.3%	4.4%
Oshkosh-Neenah	5.664	5.837	6.020	5.917	6.081	6.273	6.532	6.806
Percent Change	7.5%	3.1%	3.1%	-1.7%	2.8%	3.2%	4.1%	4.2%
Racine	6.931	7.255	7.406	7.220	7.397	7.602	7.886	8.186
Percent Change	6.1%	4.7%	2.1%	-2.5%	2.4%	2.8%	3.7%	3.8%
Sheboygan	4.171	4.365	4.436	4.319	4.429	4.564	4.748	4.943
Percent Change	5.7%	4.6%	1.6%	-2.6%	2.5%	3.0%	4.0%	4.1%
Wausau	4.481	4.701	4.788	4.660	4.795	4.947	5.155	5.376
Percent Change	5.3%	4.9%	1.8%	-2.7%	2.9%	3.2%	4.2%	4.3%
Wisconsin	198.556	206.380	213.379	211.478	217.417	224.207	233.471	243.279
Percent Change	6.4%	3.9%	3.4%	-0.9%	2.8%	3.1%	4.1%	4.2%

APPENDIX 9
PER CAPITA PERSONAL INCOME
WISCONSIN'S METROPOLITAN STATISTICAL AREAS
(\$ per person)

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Appleton	36,181	37,585	38,298	37,108	37,933	38,906	40,304	41,786
<i>Percent Change</i>	4.8%	3.9%	1.9%	-3.1%	2.2%	2.6%	3.6%	3.7%
Eau Claire	31,474	32,594	33,193	32,745	33,338	34,294	35,661	37,109
<i>Percent Change</i>	6.0%	3.6%	1.8%	-1.3%	1.8%	2.9%	4.0%	4.1%
Fond du Lac	33,813	35,601	36,541	34,984	35,756	36,662	37,964	39,346
<i>Percent Change</i>	4.1%	5.3%	2.6%	-4.3%	2.2%	2.5%	3.6%	3.6%
Green Bay	35,045	36,278	37,060	36,248	37,111	38,120	39,566	41,099
<i>Percent Change</i>	4.8%	3.5%	2.2%	-2.2%	2.4%	2.7%	3.8%	3.9%
Janesville	31,064	31,730	31,826	30,797	31,420	32,169	33,249	34,396
<i>Percent Change</i>	6.4%	2.1%	0.3%	-3.2%	2.0%	2.4%	3.4%	3.4%
La Crosse	33,000	34,192	35,263	35,183	35,868	36,676	37,844	39,087
<i>Percent Change</i>	5.5%	3.6%	3.1%	-0.2%	1.9%	2.3%	3.2%	3.3%
Madison	41,991	43,455	44,172	42,946	43,902	45,030	46,649	48,367
<i>Percent Change</i>	6.5%	3.5%	1.7%	-2.8%	2.2%	2.6%	3.6%	3.7%
Milwaukee-Waukesha-West Allis	40,724	41,926	42,824	41,696	42,658	43,782	45,393	47,103
<i>Percent Change</i>	7.4%	3.0%	2.1%	-2.6%	2.3%	2.6%	3.7%	3.8%
Oshkosh-Neenah	35,298	36,151	37,139	36,218	36,958	37,845	39,124	40,483
<i>Percent Change</i>	6.9%	2.4%	2.7%	-2.5%	2.0%	2.4%	3.4%	3.5%
Racine	34,936	36,346	37,012	35,992	36,735	37,615	38,883	40,230
<i>Percent Change</i>	5.4%	4.0%	1.8%	-2.8%	2.1%	2.4%	3.4%	3.5%
Sheboygan	36,640	38,247	38,755	37,705	38,518	39,471	40,843	42,299
<i>Percent Change</i>	5.6%	4.4%	1.3%	-2.7%	2.2%	2.5%	3.5%	3.6%
Wausau	34,785	36,162	36,536	35,409	36,231	37,191	38,569	40,030
<i>Percent Change</i>	4.2%	4.0%	1.0%	-3.1%	2.3%	2.7%	3.7%	3.8%
Wisconsin	35,637	36,843	37,916	37,398	38,257	39,248	40,658	42,155
<i>Percent Change</i>	5.9%	3.4%	2.9%	-1.4%	2.3%	2.6%	3.6%	3.7%

APPLETON

The Appleton MSA is made up of Calumet and Outagamie Counties. It is situated in the heart of the Fox Valley Region, between Green Bay to the north and Oshkosh/Neenah to the south. It includes the City of Appleton, also Kaukauna, Grand Chute and Little Chute. The Appleton MSA is home to Lawrence University and Fox Valley Technical College. There is another campus of the technical college in nearby Oshkosh, and there are UW campuses close by in Green Bay, Fond du Lac, and Oshkosh.

With a population of 221,894 in 2009, the Appleton metropolitan area is the fourth-largest in the state behind Milwaukee, Madison and Green Bay. The area's population increased 1.0% in 2009, second only to Madison's growth.

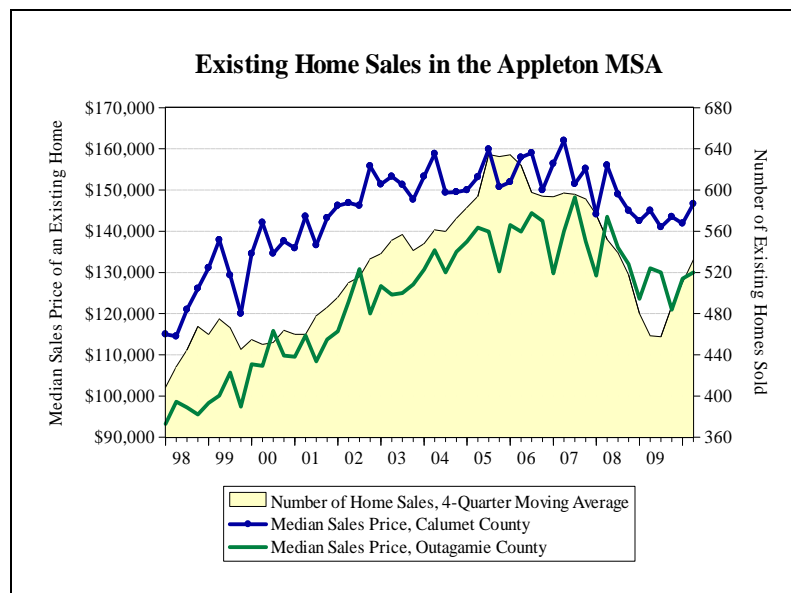
Housing in the Appleton MSA

Home prices have fallen in the Appleton MSA, as they have around the country. Using Multiple Listing Service (MLS) sales data on existing homes from the Wisconsin Realtors Association, the median existing home price peaked at \$162,000 in the second quarter of 2007 in Calumet County and at \$148,250 in the third quarter of 2007 in Outagamie County. Prices fell sharply since then, but have flattened out during the past year.

By the second quarter of 2010, the median price was \$146,675 in Calumet County, an increase of 1.2% since the prior year but 8.5% below the 2007 peak. In Outagamie County, home prices fell 0.8% to \$130,000 in the second quarter, and are currently 12.3% below their peak. To compare, the median price of existing homes in Wisconsin during the second quarter of 2010 was \$144,900, down 0.1% from the second quarter of 2009.

The median price of existing homes are charted below. The yellow area represents the number of existing home sales in the MSA. The number of sales peaked in late 2005 and early 2006 and then plummeted in the middle of 2009. In the last four quarters, the number of home sales has rebounded, rising 15.4% from 578 in the second quarter of 2009 to 667 during the second quarter of 2010. This is due to the homebuyer tax credit which boosted sales throughout the nation. That credit ended this summer, and it is expected that sales will suffer in the coming quarters.

Chart II.4



Equalized Values

Total equalized values in the Appleton MSA increased 0.3% in 2009. Residential properties rose 0.2% at 69.4% of total values. Economic changes resulted in a devaluation of 0.8%, but this was offset by new construction. Commercial property increased 0.9%, at 20.7% of total values. Likewise, economic change decreased the value, while new construction increased the total value of commercial property.

Outagamie is the larger of the two counties in terms of equalized values, making up 79.5% of total equalized values and 77.2% of residential values in the Appleton MSA. In Outagamie County, residential equalized values increased 0.5%. Calumet County makes up the remaining 22.8% of residential equalized values, and those decreased 1.0% in 2009.

Employment

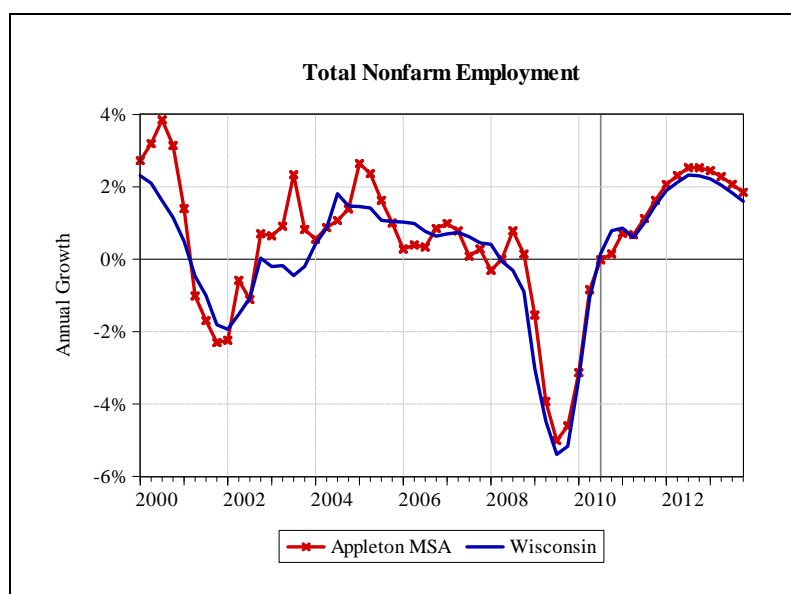
In 2008, Manufacturing was the largest employment sector in the Appleton MSA. However, in the past year, the Trade, Transportation, and Utilities sector has become the largest employment sector at 19.2% of employment (22,000 workers). Manufacturing is now the second-largest sector with 18.5% of total employment (21,300 jobs). Employment in both of these sectors declined in 2009, but Manufacturing decreased at a faster rate (-6.6%) than Trade, Transportation, and Utilities (-4.8%).

The next largest employment sectors in the Appleton MSA are:

- Education and Health Services - 13,300 jobs or 11.5% of total employment
- Government which includes Public Education - 12,000 jobs or 10.5% of total employment
- Professional and Business Services - 11,700 jobs or 10.2% of total employment

Large employers in Outagamie County include Thedacare, Inc., Thrivent Financial for Lutherans, and the Miller Electric Manufacturing Company. In Calumet County, Ariens Company, Onsite Engineering & Management Inc., and Brillion Iron Works, Inc. are large employers.

Chart II.5



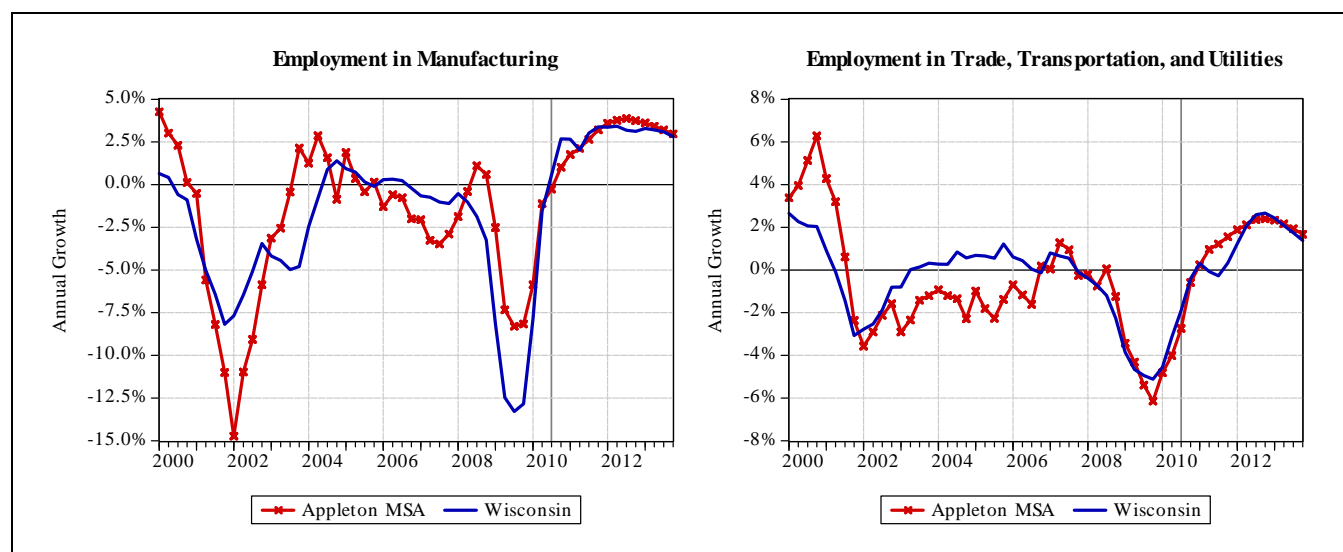
Total Nonfarm employment in the Appleton MSA declined 3.8% in 2009 to 114,825. This follows growth of 0.5% in 2008. By sector, the largest percentage employment losses in 2009 were in Professional and Business Services (-11.3%), Construction and Mining (-6.6%) and Manufacturing (-6.6%). Only three sectors saw growth: (1) Information at 3.4% growth, (2) Education and Health Services at 2.0% growth, and (3) Other Services at 0.3% growth.

The first few months of 2010 saw year-over-year employment declines near 4% in the Appleton MSA. However, as the year has progressed, the decreases have gotten smaller. Growth was flat in July and increased 0.3% in August and September. Many sectors have already seen positive employment growth. Professional and Business Services, Education and Health Services, and Leisure and Hospitality have all seen employment levels rise above those of a year ago.

The remainder of 2010 will see employment growth in the Appleton MSA. On an annual basis, employment will decrease 1.0% in 2010 and then return to growth in the last three years of the forecast period, increasing 1.0% in 2011 and more than 2% in both 2012 and 2013.

By sector, Manufacturing employment will decrease again in 2010, falling 1.6%. This sector turns around in 2011 with growth of 2.4%. The last two years of the forecast period will also see growth in this sector. The Trade, Transportation and Utilities sector declines 3.1% in 2010, followed by positive growth in 2011, 2012 and 2013. The Manufacturing sector will see faster growth than Trade, Transportation and Utilities during the next few years, and it will again be the largest employment sector in the Appleton area.

Chart II.6



The unemployment rate in the Appleton MSA rose dramatically in the first half of 2009 and has remained elevated. However, it is starting to lower and dipped to 6.4% in September on a non-seasonally adjusted basis. The unemployment rate is expected to fall to 7.3% in 2010, after reaching 8.2% in 2009. It will continue to drift lower and reaches 6.0% in 2013.

Personal Income

Total personal income in the Appleton MSA will resume growth in 2010 with a 3.1% increase. It will continue to increase during the rest of the forecast period, although growth will remain below average. From 1990 to 2008, personal income growth averaged 5.6%. During the next four years, personal income growth will range between 3.7% and 4.8%.

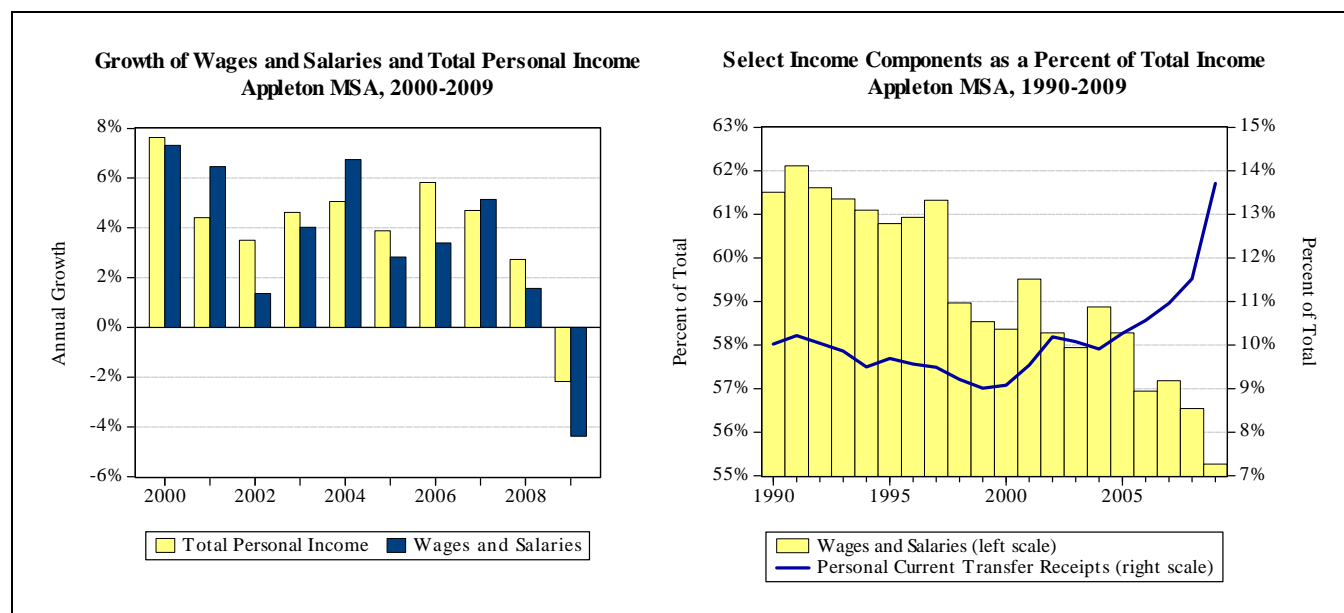
Per capita personal income will also resume growth in 2010 with an increase of 2.2% to \$37,933. By 2013, it will reach \$41,786, below the state's \$42,155 and the nation's \$43,810.

Personal income in the Appleton MSA totaled \$8.234 billion in 2009, a decrease of 2.2% from the previous year. This compares to -1.7% in the U.S. and -0.9% in Wisconsin. Per capita personal income decreased 3.1% in the Appleton MSA in 2009. The Appleton MSA's per capita personal income is at \$37,108, below the nation's per capita personal income of \$39,626 and Wisconsin's \$37,398.

Wages and salaries are the largest component of personal income. It fell 4.4% in 2009 as noted in Chart II.7. On the right side, the chart shows the percent of personal income from wages and salaries, as well as the percent of personal income from current transfer receipts. Income from current transfer receipts is income received from government and businesses for which no services were performed.

Wages and salaries were around 60% of personal income through most of the 1990s. It has fallen since then, and reached a low of 55.3% in 2009. Current transfer receipts have surged to 13.7% of personal income. This reflects the increase in government income transfer benefits, such as unemployment benefits and food stamps, that typically rise in times of recession. Before the recent downturn, this income source hovered around 10% of total income.

Chart II.7



APPLETON METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	118.6	119.2	119.4	114.9	113.8	115.0	117.7	120.2
% change	0.5%	0.5%	0.2%	-3.8%	-1.0%	1.0%	2.4%	2.2%
Unemployment Rate	4.5	4.5	4.6	8.2	7.3	7.2	6.6	6.0
Total Personal Income (\$ billions)	7.825	8.194	8.417	8.234	8.487	8.802	9.219	9.661
% change	5.8%	4.7%	2.7%	-2.2%	3.1%	3.7%	4.7%	4.8%
Per Capita Personal Income	36,181	37,585	38,298	37,108	37,933	38,906	40,304	41,786
% change	4.8%	3.9%	1.9%	-3.1%	2.2%	2.6%	3.6%	3.7%

EAU CLAIRE

The Eau Claire MSA includes Eau Claire and Chippewa Counties. The metro area includes the City of Eau Claire, the municipalities of Washington and Altoona in Eau Claire County, as well as Chippewa Falls in Chippewa County. Eau Claire is home to a four-year UW campus, and there is a branch of Chippewa Valley Technical College in both Eau Claire and Chippewa Falls.

The Eau Claire MSA is the eighth largest in the state with a population of 160,018 in 2009, which is an increase of 1.0% since 2008.

Housing in the Eau Claire MSA

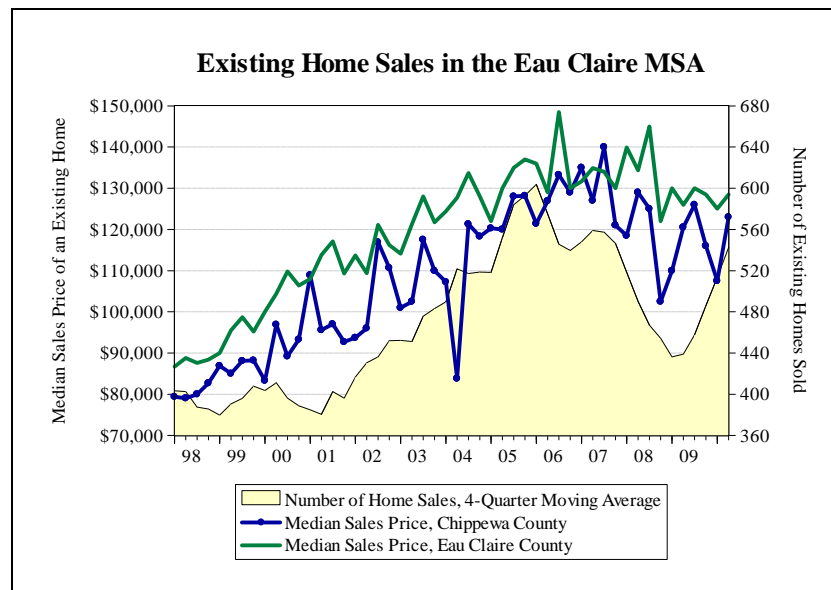
This data is charted below for Eau Claire and Chippewa Counties. The Wisconsin Realtors Association publishes the median price of existing homes based on Multiple Listing Service sales data, and the yellow area represents the number of existing homes sold in the MSA.

The median sales price for an existing home in the Eau Claire MSA is measured by county. In Eau Claire County, the median home sales price peaked in the third quarter of 2006 at \$148,500. In Chippewa County, the median home price peaked at \$140,000 in the third quarter of 2007. Prices fell through 2009 in both counties.

In Eau Claire County, the median sales price of an existing home in the second quarter of 2010 was at \$128,500. This is an increase of 2.0% since the prior year, but 13.5% below their peak. In Chippewa County, the median price of an existing home was \$123,000. This is 2.1% higher than a year ago, but 12.1% below peak. In comparison, the median price of existing homes in Wisconsin during the second quarter of 2010 was \$144,900, down 0.1% from the second quarter of 2009.

The number of existing home sales has also dipped. This measure peaked at 807 during the second quarter of 2005 and then declined through 2008. It has risen during the past four quarters and is currently at 751 – this is up 18.2% over last year, but still 6.9% below its peak. This recent increase is mainly due to the homebuyer tax credits, which expired in April. The number of home sales is expected to decrease in the coming quarters.

Chart II.8



Equalized Values

Total equalized values in the Eau Claire MSA decreased 0.3% in 2009. Residential properties at 68.0% of total equalized values rose 1.1%. Economic changes resulted in a 0.1% increase, while new construction added 1.0% to residential values. Commercial property, equal to 19.0% of total equalized values, fell 5.3%. Economic change decreased the value 7.8%, while new construction increased the total value of commercial property 1.7%.

Eau Claire is the larger of the two counties, at 59.5% of total equalized values. Property in Eau Claire County decreased 0.7%. Most of this decline was from a 7.0% decline in commercial property; residential property values rose 1.4%. Chippewa County, which is 40.5% of total equalized values, had a 0.3% increase in equalized values and a 0.8% increase in residential values.

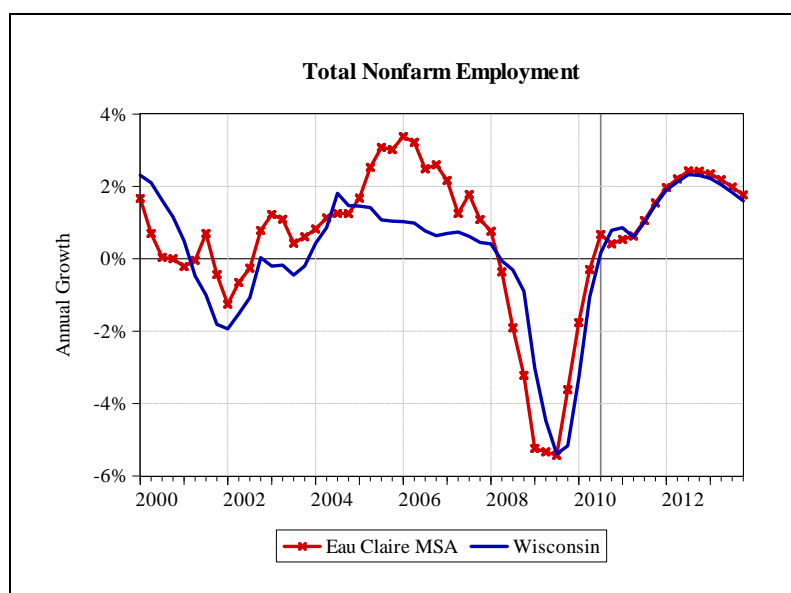
Employment

The largest employment sector in the Eau Claire MSA is trade, transportation, and utilities. This sector had 15,700 employees in 2009, 20.0% of the total. The second largest sector was education and health services with 13,800 workers (17.6% of total employment), followed by government, including public education, with 11,800 employees (15.0% of the total). The next two largest sectors are manufacturing (9,900 workers, or 12.6% of total) and professional and business services (7,600 workers, or 9.7% of total). Large employers in the area include Menard, Inc., Luther Midelfort Hospital, and Hutchinson Technology in Eau Claire County and TTM Advanced Circuits, Inc. and Saint Joseph's Hospital in Chippewa County.

Total nonfarm employment decreased 5.0% in 2009, to 78,500 workers. This followed a decrease of 1.2% in 2008. By sector, the largest decreases were in professional and business services (-12.7%), manufacturing (-10.5%), and information (-9.9%). Only one major sector saw an increase in employment: leisure and hospitality increased employment 0.9%. Education and health services, which saw an increase in employment in most areas, decreased 0.4%.

Employment continued to decline, on a year-over-year basis, during the first four months of 2010. Starting in May, however, the Eau Claire MSA began to register year-over-year employment increases, and in September, employment was 0.1% above its year-ago level. Some of the strongest growth could be seen in professional and business services, leisure and hospitality, and education and health services.

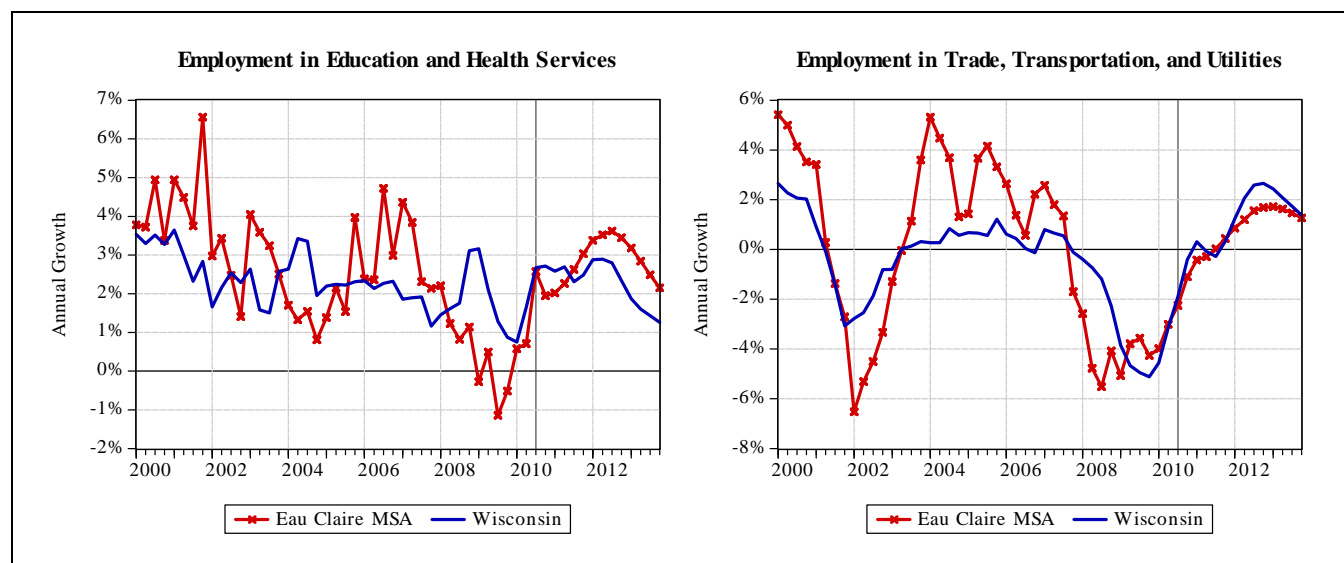
Chart II.9



For the entire year, employment will decline 0.3% in 2010, less than Wisconsin as a whole. As of the third quarter of 2010, the employment decline in the Eau Claire MSA is already smaller than Wisconsin's. Employment growth in leisure and hospitality, education and health services, and professional and business services is supporting the overall employment picture in the Eau Claire MSA. Employment growth returns in the following years, with an increase of 0.9% in 2011, 2.3% in 2012, and 2.1% in 2013.

The largest sector, trade, transportation and utilities, will also see a decline in employment in 2010, of 2.6%. It will be flat in 2011 and then return to growth in 2012. Education and health services, however, will grow throughout the forecast period. See the charts below.

Chart II.10



The unemployment rate in the Eau Claire MSA remained below 6% through 2008. In early 2009, however, it began to rise as the recession took hold. The rate peaked at 8.9% in March of 2009. It is still elevated but has dropped below its year-ago levels since March of 2010. In September it measured 6.1%, seasonally unadjusted, 0.5 percentage points below last year. For 2010, the unemployment rate will average 7.0%, down from 7.4% in 2009. It will remain there in 2011 before dropping to 6.5% in 2012 and 5.9% in 2013.

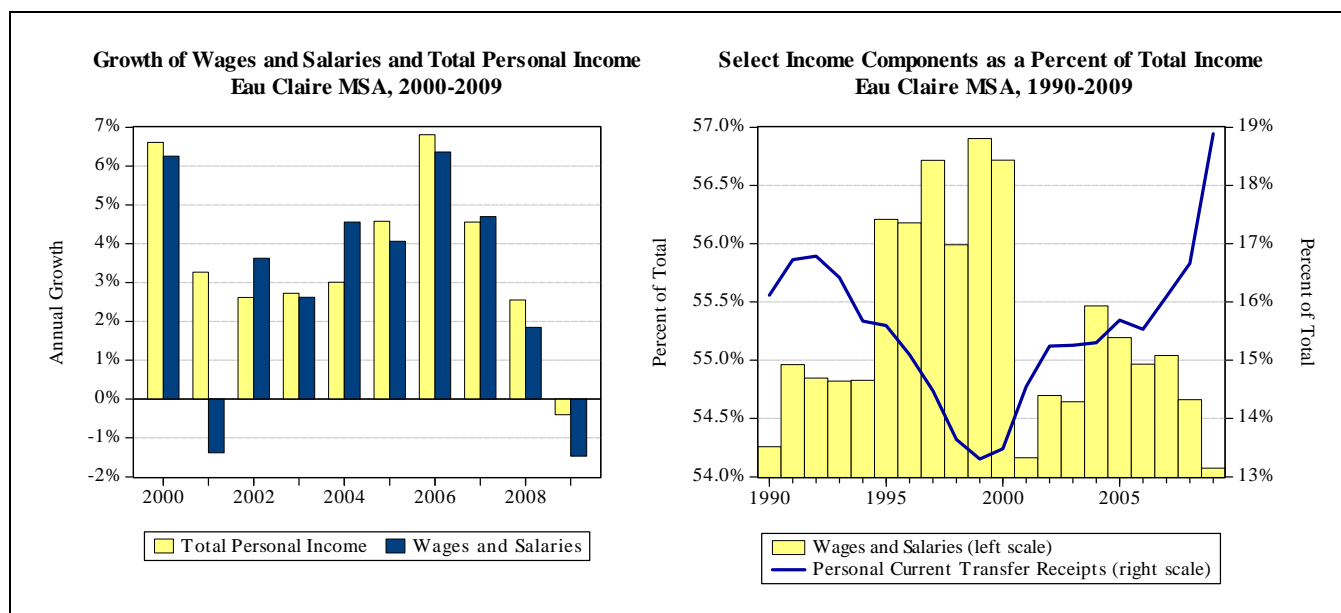
Personal Income

Total personal income in the Eau Claire MSA totaled \$5.24 billion in 2009, a decrease of 0.4% since 2008. This was the first time personal income in the Eau Claire MSA declined on an annual basis. The 0.4% drop compares to a decline of 1.7% in the U.S. and 0.9% in Wisconsin. Its growth ranked second out of the state's 12 metro areas, behind La Crosse. Per capita personal income decreased 1.3% in the Eau Claire MSA in 2009. Eau Claire's per capita personal income, at \$32,745, is below the nation's per capita personal income of \$39,626 and Wisconsin's \$37,398.

Wages and salaries, the largest component of personal income, fell 1.5% in 2009 in the Eau Claire MSA. This growth can be seen in the left panel of Chart II.10. In the right panel, the percent of personal income from wages and salaries is plotted, as well as the percent of personal income from current transfer receipts. Current transfer receipts are income received from government and businesses for which no services were performed. This is mostly social benefits from the government.

Wages and salaries were around 55% of personal income in the first half of the 1990s in the Eau Claire MSA. It rose in the latter part of the decade before falling below 55% in 2001. In this decade the share of personal income from wages and salaries rose briefly above 55% before falling again as the recession hit. Current transfer receipts in the Eau Claire MSA have surged to nearly 19% of personal income. This reflects the increase in social benefits paid out due to the recession at the same time that other income sources have fallen. This measure wavered around 15% until the last two years.

Chart II.11



Personal income will increase in 2010 in the Eau Claire MSA, rising 2.8% to \$5.39 billion. It will increase 3.2% in 2011 before growing 4.4% in the 2012 and 2013. Per capita personal income will also rise throughout the forecast period, to \$33,338 in 2010, after falling in 2009. By 2013 the per capita personal income in the Eau Claire MSA will be \$37,109, less than Wisconsin's \$42,155.

EAU CLAIRE METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	82.3	83.6	82.6	78.6	78.4	79.1	80.9	82.6
% change	2.9%	1.6%	-1.2%	-4.9%	-0.3%	0.9%	2.3%	2.1%
Unemployment Rate	4.4	4.5	4.5	7.4	7.0	7.0	6.5	5.9
Total Personal Income (\$ billions)	4.907	5.130	5.261	5.240	5.387	5.562	5.804	6.060
% change	6.8%	4.6%	2.6%	-0.4%	2.8%	3.2%	4.4%	4.4%
Per Capita Personal Income	31,474	32,594	33,193	32,745	33,338	34,294	35,661	37,109
% change	6.0%	3.6%	1.8%	-1.3%	1.8%	2.9%	4.0%	4.1%

FOND DU LAC

The Fond du Lac MSA is made up of the county of the same name. The MSA includes the City of Fond du Lac, Ripon, North Fond du Lac and Taycheedah. Fond du Lac is home to a two-year UW campus, as well as Marion College and a campus of Moraine Park Technical College.

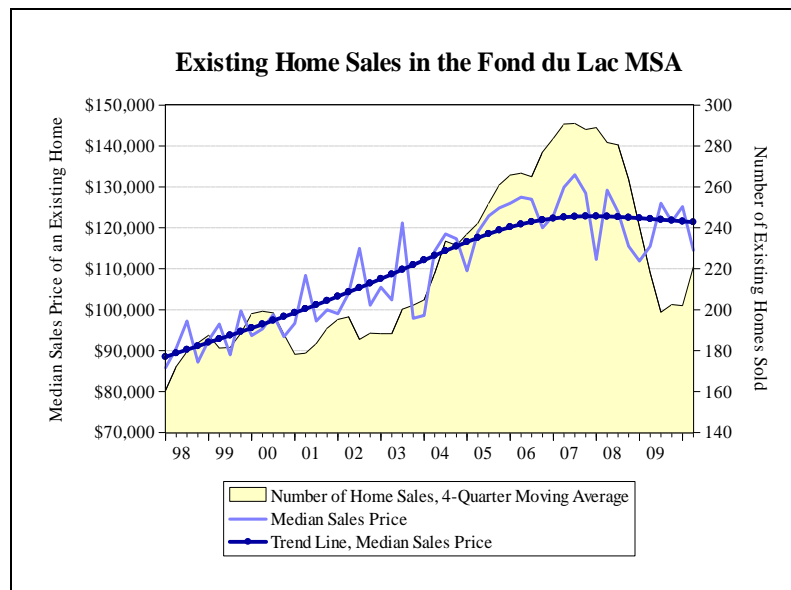
It is the smallest metropolitan area in Wisconsin with a population of 100,070 in 2009, an increase of 0.2% over 2008.

Housing in the Fond du Lac MSA

The median sales price of an existing home in Fond du Lac County was \$114,500 in the second quarter of 2010, according to Multiple Listing Service (MLS) sales data from the Wisconsin Realtors Association. This was down 0.9% from the prior year. Chart II.12 shows the median home price of existing homes in Fond du Lac County. The yellow area represents the number of existing homes sold. The median price peaked in the third quarter of 2007, at \$132,950. The current median price is 13.9% below that peak.

The number of homes sold also peaked in 2007, at 349. In the second quarter of 2010, 306 existing homes were sold. This is 33.0% above the same period a year ago, but 12.3% below the peak. The recent increase is due to the home buyer tax credit. The credit expired earlier this year, however, and home sales are expected to decline as a result.

Chart II.12



Equalized Values

The report shows that equalized values in Fond du Lac County fell 1.1% in 2009. Residential values are 71.3% of total equalized values and they fell 0.2%. Economic change reduced the residential values 1.0%, but this was partly offset by an increase in values due to new construction. Commercial values are 17.0% of total equalized values and they decreased 4.3%. The decrease in commercial values from economic change was 6.1%, while new construction added 1.8% to total commercial values.

Employment

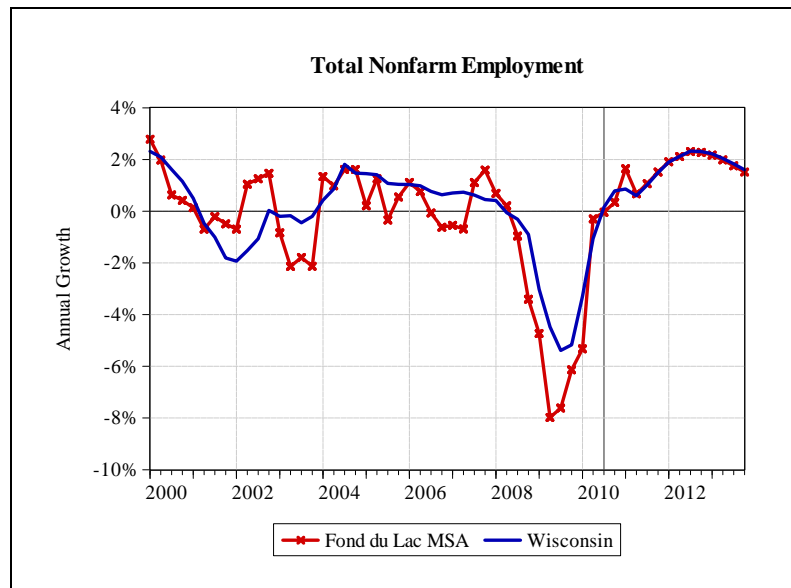
The manufacturing sector remains the largest employment sector in the Fond du Lac MSA. In 2009, manufacturing employment totaled 8,900, 19.8% of total nonfarm employment. The next largest sector, trade, transportation, and utilities, employed 8,800 workers, equal to 19.5% of total employment. Manufacturing's share has decreased, from 21.7% in 2008, while trade, transportation, and utilities increased from 19.2%. This is due to a sharper decrease in manufacturing employment in 2009 (-14.9%) while trade, transportation, and utilities decreased 5.4%. Eventually, trade, transportation, and utilities will overtake manufacturing as the largest sector.

The next largest sectors in the Fond du Lac MSA are education and health services, with 7,000 employees (15.5% of total employment), government, including public education with 6,000 employees (13.4% of total) and leisure and hospitality (9.0% of total). Large employers in the area include Agnesian Healthcare, Inc., Brunswick Corporation, and Alliance Laundry Systems LLC.

Total nonfarm employment decreased 6.6% in 2009 in the Fond du Lac MSA, to 45,900. Construction and mining saw the largest percentage decrease (-18.5%), followed by a 15.3% decline in professional and business services and a 14.9% decline in manufacturing. Only two sectors saw an increase: education and health services (+1.6%) and government, including public education (+1.4%).

Fond du Lac began 2010 with large year-over-year declines, but this decline has slowed, and employment has been flat or increasing the last three months. The employment sectors showing year-over-year increases in September include leisure and hospitality (7.5%) and education and health services (1.5%). Several sectors, however, are still showing employment declines, such as other services (-3.9%), trade, transportation, and utilities (-1.2%) and manufacturing (-1.1%).

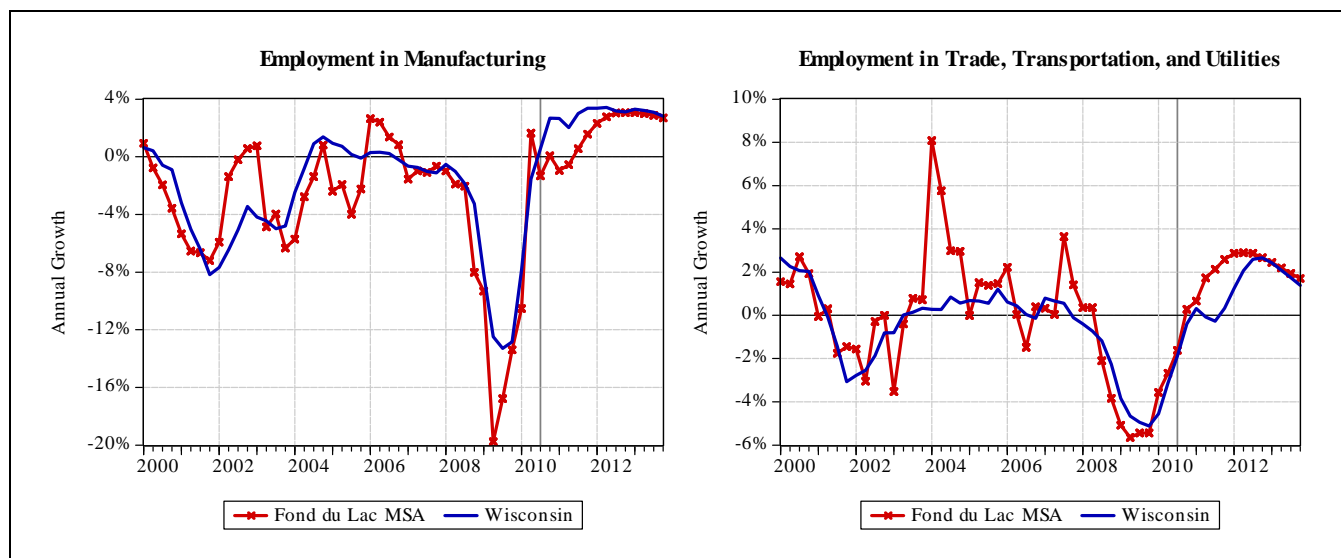
Chart II.13



Employment, on an annual average, will decrease again in 2010, falling 1.4% to 44,300. Growth will resume in 2011, with employment growing 1.2%, followed by increases of 2.2% in 2012 and 1.9% in 2013. At the end of the forecast period, in 2013, employment will be 3.9% below its pre-recession peak of 48,600 in 2007.

Manufacturing is Fond du Lac's largest employment sector and it will decline 2.8% in 2010. In 2011, growth returns will return at 0.2%. The growth accelerates after that, increasing 2.8% and 2.9% in 2012 and 2013. Trade, transportation, and utilities also decrease in 2010 falling 1.9%, but with stronger growth returning in 2011 at 1.8%.

Chart II.14



The unemployment rate in the Fond du Lac MSA increased rapidly beginning in 2009, reaching 10.2% in March of 2009. The rate has remained elevated, hitting 10.1% in February of this year. However, the unemployment rate has improved during the last several months and in September was 6.7%, seasonally unadjusted, 1.5 percentage points below its year-ago level. In the forecast, the unemployment rate averages 7.9% in 2010, down from 9.0% in 2009. The rate is expected to fall to 6.3% in 2013.

Personal Income

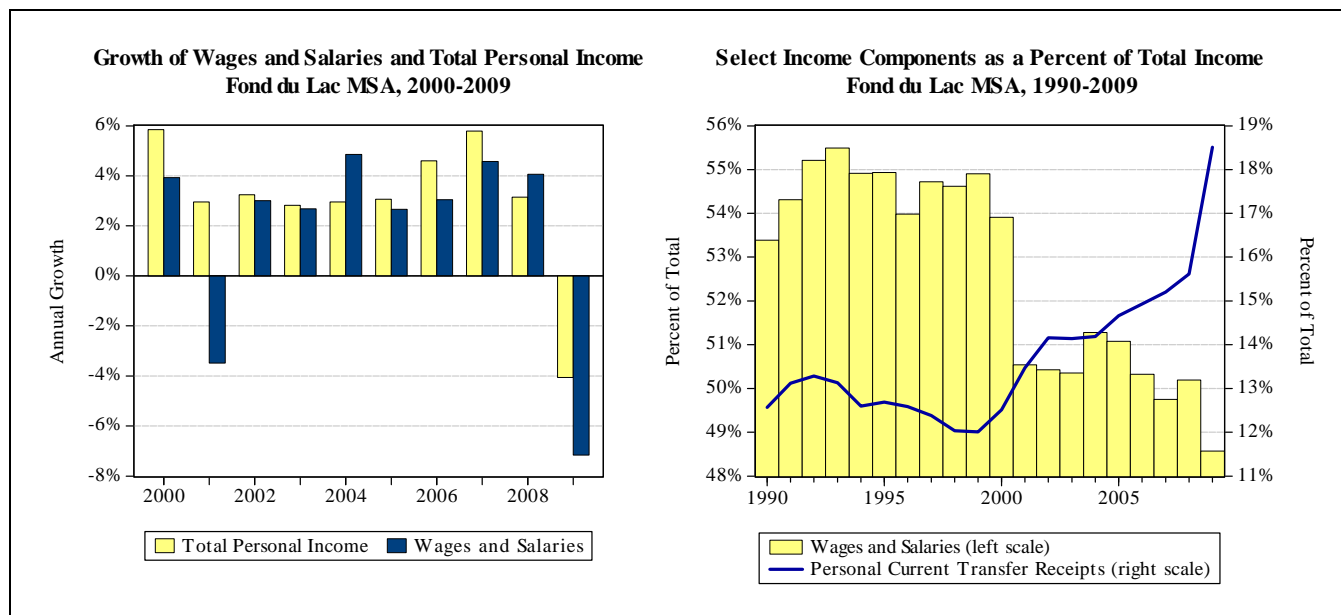
Total personal income in the Fond du Lac MSA decreased 4.1% in 2009, to \$3.5 billion. This compares to a decline of 1.7% in the U.S. and 0.9% in Wisconsin. The steep decline in personal income in the Fond du Lac MSA is due to the steep drop in employment, and hence, wages and salaries in Fond du Lac. The area's per capita personal income also dipped, falling 4.3% to \$34,984. This is below the nation's per capita personal income of \$39,626 and Wisconsin's \$37,398.

Wages and salaries, the largest component of personal income, fell 7.2% in 2009 in the Fond du Lac MSA. This decline can be seen in the left panel of Chart II.15. While wages and salaries declined as recently as 2001 in the Fond du Lac MSA, 2009 was the first year that total personal income fell since the data series began in 1969.

In the right panel of Chart II.16, the percent of personal income from wages and salaries is plotted, as well as the percent of personal income from current transfer receipts. Current transfer receipts are income received from government and businesses for which no services were performed. This is mostly social benefits from the government.

During the 1990's, wages and salaries made up around 54% of total personal income in the Fond du Lac MSA. This fell during the 2001 recessions and has been around 50-51% for most of this decade. It fell below 50% two years ago and then last year to 48.6% of total income. Current transfer receipts, however, have increased as a share of personal income. It has risen throughout this decade and spiked to 18.5% of total income in 2009, as government social benefits rose during the latest recession.

Chart II.15



After declining in 2009, total personal income in the Fond du Lac MSA is expected to increase 2.7% in 2010, to \$3.595 billion. Growth will increase to 4.0% in 2012 and 4.1% in 2013. Per capita personal income follows a similar pattern, rising 2.2% in 2010 after declining in 2009 and then increasing the remainder of the forecast period. In 2013, per capita personal income in the Fond du Lac MSA is \$39,346, less than the \$42,155 for the state average.

FOND DU LAC METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	48.4	48.6	48.1	44.9	44.3	44.9	45.8	46.7
% change	0.3%	0.4%	-0.9%	-6.6%	-1.4%	1.2%	2.2%	1.9%
Unemployment Rate	4.7	4.6	4.8	9.0	7.9	7.5	6.9	6.3
Total Personal Income (\$ billions)	3.344	3.538	3.649	3.501	3.595	3.702	3.850	4.006
% change	4.6%	5.8%	3.1%	-4.1%	2.7%	3.0%	4.0%	4.1%
Per Capita Personal Income	33,813	35,601	36,541	34,984	35,756	36,662	37,964	39,346
% change	4.1%	5.3%	2.6%	-4.3%	2.2%	2.5%	3.6%	3.6%

GREEN BAY

The Green Bay MSA includes Brown, Oconto, and Kewaunee Counties and is located at the northern edge of the Fox Valley region. The MSA includes the City of Green Bay, De Pere and Howard in Brown County, Oconto in Oconto County, and Algoma in Kewaunee County. The City of Green Bay is home to a four-year UW campus, as well as a branch of the Northeast Technical College. St. Norbert College is located in De Pere, WI.

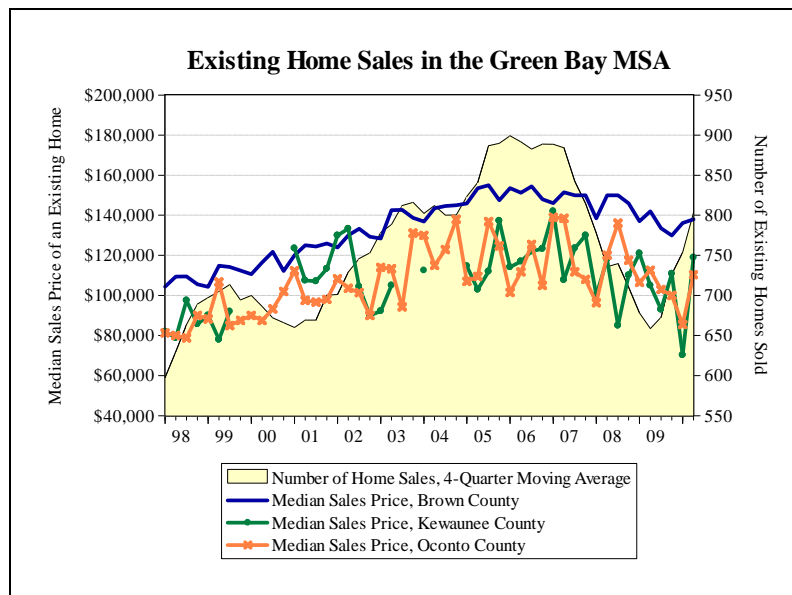
It is Wisconsin's third largest metro area, behind Milwaukee and Madison. In 2009, its population increased 0.8% to 304,783.

Housing in the Green Bay MSA

The median price of an existing home sold in the second quarter of 2010 ranged from \$110,300 in Oconto County to \$138,000 in Brown County. The median price in Kewaunee County was \$118,950. These prices are based on the Multiple Listing Service (MLS) sales data from the Wisconsin Realtors Association. The data is plotted below, with the number of existing home sales for the entire MSA reflected in the yellow area.

The median price of existing home sales has trended down since 2005 and 2006. Currently, the median price of an existing home sold in Brown County is 11.0% below its peak price, reached in the third quarter of 2005. In Kewaunee County, the median price is 16.2% below its peak, and in Oconto County, 20.6% below peak. These declines, however, are slowing or turning up. In Brown County, the current median home sales price is 2.8% below last year's price; in Oconto County, it is 2.0% below last year, and Kewaunee County is 13.3% above a year-ago. The number of home sales has also turned. The number of existing homes sold in the Green Bay MSA in the second quarter of 2010 is 24.5% above a year ago at this time. However, this is partly due to the homebuyer tax credits. Now that the credits have expired, home sales are expected to dip again.

Chart II.16



Equalized Values

Equalized values fell 2.1% in 2009 in the Green Bay MSA. Residential properties comprise 69.1% of total equalized values and decreased 1.6%. Economic change reduced residential values 2.5%, while new construction contributed 0.9% to residential values. Commercial values, at 20.4% of total equalized values, decreased 4.2%.

Brown County is by far the largest of the three counties at 78.3% of the total equalized values in the Green Bay MSA. Its residential values fell 1.9% in 2009. Oconto County is the second largest, at 15.5% of total equalized values. Residential values increased 0.3% in Oconto County. In Kewaunee County, equalized values were 6.2% of the total, and the residential values declined 3.2%.

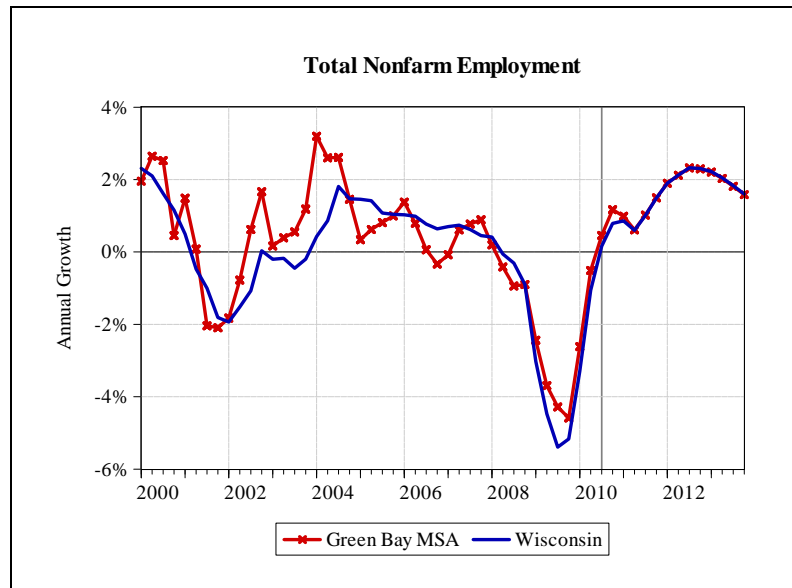
Employment

The largest employment sector in the Green Bay MSA is trade, transportation, and utilities. One out of every five jobs was in this sector in 2009, a total of 33,700. Other large employment sectors are manufacturing (17.0% of total), government, including public education (13.1% of total), and education and health services (12.9% of total). Large employers in the area include Humana Inc. and Schneider National, Inc. in Brown County, Dominion Energy in Kewaunee County, and Saputo Cheese in Oconto County.

Total nonfarm employment in the Green Bay MSA fell 3.7% in 2009, to 162,900. This follows a decline of 0.5% in 2008. Trade, transportation, and utilities declined 4.7% while manufacturing fell 14.0%. Green Bay's other large sectors performed better: Government employment increased by 1.8%, while education and health services was flat when compared to the prior year.

The first quarter of 2010 saw employment declines between 2 and 3.5%. However, the employment picture has been improving. As the year has progressed, the year-over-year declines decreased. In September, total nonfarm employment in the Green Bay MSA was 0.8% greater than last year. Employment gains were seen in professional and business services (+1.3%), education and health services (+2.4%), and leisure and hospitality (+2.5%).

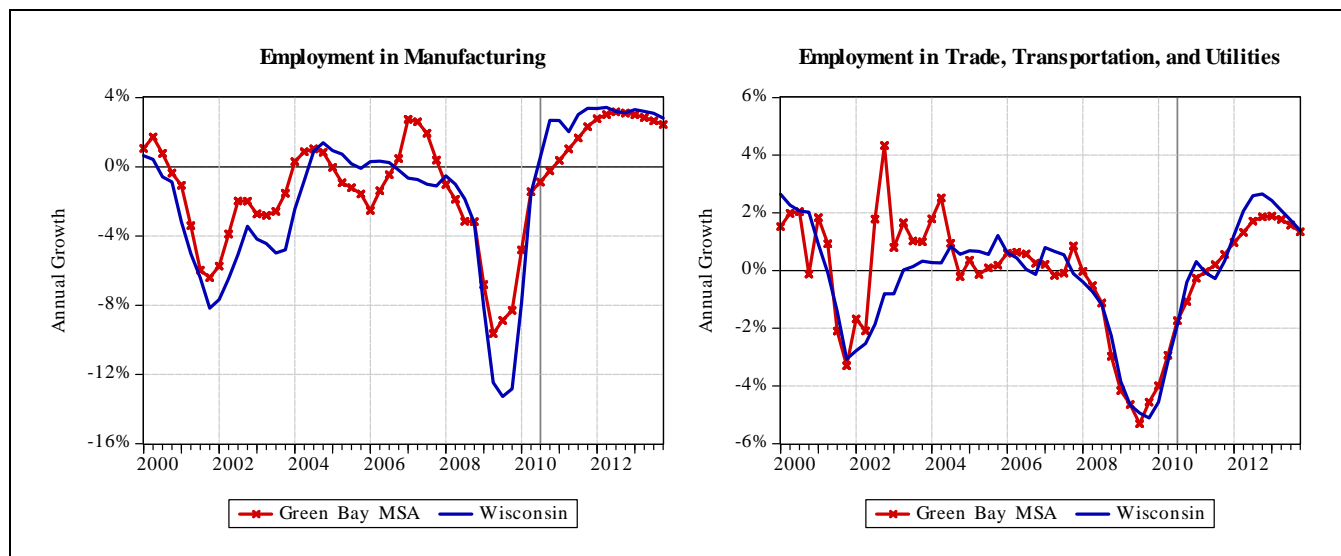
Chart II.17



For the year, total employment will fall 0.4% in 2010, to 162,200. 2010 will be the last year for employment declines, however; growth will return in 2011 with a 1.0% increase. In 2013, employment in the Green Bay MSA will increase 1.9% over the previous year and will be 0.3% above to its pre-recession peak reached in 2007.

Trade, transportation and utilities, Green Bay MSA's largest employment sector, is expected to fall again in 2010, decreasing 2.5%. It is nearly flat in 2011, increasing 0.1%, before growing 1.5% in 2012 and 1.6% in 2013. Manufacturing, the second largest sector in the Green Bay MSA, will increase in the later years of the forecast period after decreasing 1.9% in 2010. In 2011, it will grow 1.3%, followed by 3.0% growth in 2012 and 2.7% growth in 2013.

Chart II.18



The unemployment rate in the Green Bay MSA rose dramatically in the first half of 2009 and has remained elevated. It has begun to trend lower, and in September equaled 6.6%, 1.0 percentage points lower than last year at this time. The average unemployment for 2010 will be 7.5%, down from 8.2% in 2009. It will continue to decrease over time and will equal 6.3% in 2013.

Personal Income

Total personal income declined 1.4% in the Green Bay MSA in 2009, to \$11.047 billion. This compares to a decline of 1.7% in the U.S. and 0.9% in Wisconsin. Per capita personal income shrank 2.2%, to \$36,248. This is below the nation's per capita personal income of \$39,626 and Wisconsin's \$37,398.

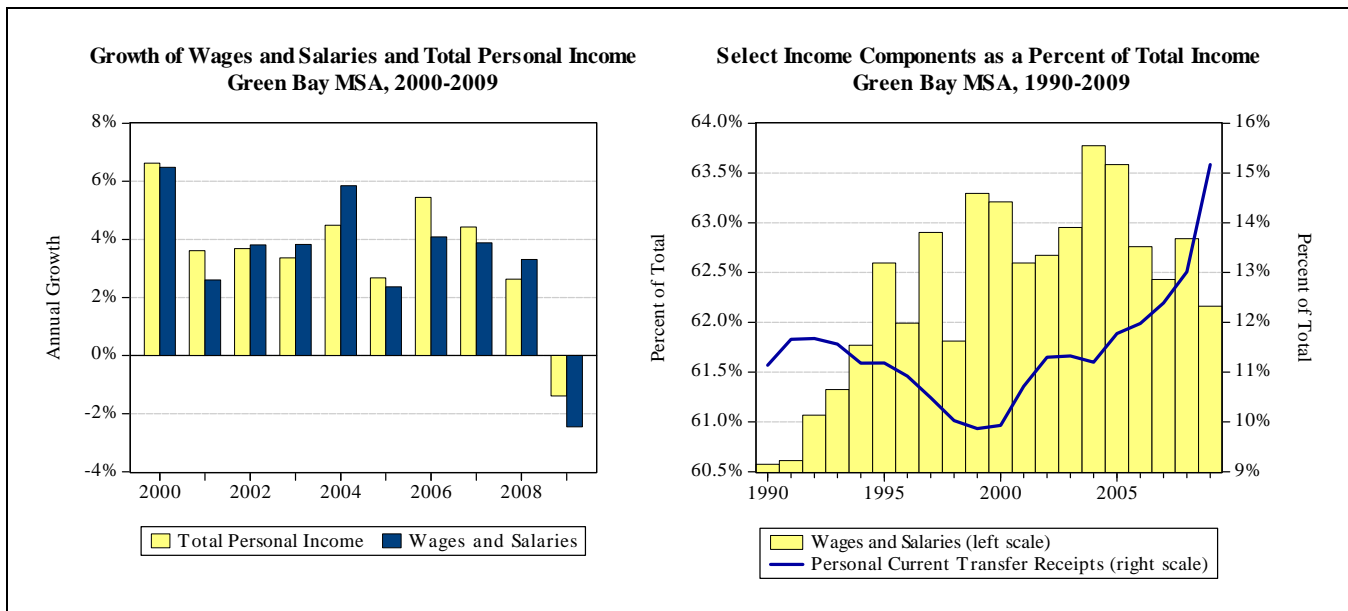
Growth in personal income and wages is charted in the left panel of Chart II.19. 2009 was the first year personal income declined since the data series began in 1969. Wages and salaries, the largest component of personal income, dropped more sharply than total personal income, -2.5%.

As a share of personal income, wages and salaries declined from over 63% in 2004 and 2005 to 62.2% in 2009. Among the MSAs in Wisconsin, this is still a relatively high percentage of income from wages and salaries. This is charted as the yellow bars in the right panel of Chart II.19. The blue line is the share of current transfer receipts of total income. Current transfer receipts are income received from government and businesses for which no services were performed. This is often social benefits from the government. This measure has increased throughout this decade, from less than 10% in 2000 to just over 15% in 2009. The recent increase is from increased government support due to the severe recession sweeping the nation.

Growth in personal income returns to all of Wisconsin's metropolitan areas in 2010, and the Green Bay MSA is no exception. Total personal income will increase 2.7% in 2010 to \$11.3 billion. Growth will accelerate towards the end of the forecast period, with personal income increasing 4.3% in 2012 and 4.4% in 2013.

Per capita personal income will also return to growth in 2010, increasing 2.4% to \$37,111. Like personal income, per capita personal income continues to grow throughout the forecast period, reaching \$41,099 in 2013.

Chart II.19



GREEN BAY METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	169.1	170.0	169.2	162.8	162.2	163.8	167.4	170.6
% change	0.5%	0.5%	-0.5%	-3.7%	-0.4%	1.0%	2.2%	1.9%
Unemployment Rate	4.7	4.6	4.7	8.2	7.5	7.4	6.9	6.3
Total Personal Income (\$ billions)	10.454	10.917	11.204	11.048	11.348	11.714	12.217	12.751
% change	5.4%	4.4%	2.6%	-1.4%	2.7%	3.2%	4.3%	4.4%
Per Capita Personal Income	35,045	36,278	37,060	36,248	37,111	38,120	39,566	41,099
% change	4.8%	3.5%	2.2%	-2.2%	2.4%	2.7%	3.8%	3.9%

JANESVILLE

The Janesville MSA is made up of Rock County and is the seventh-largest of Wisconsin's 12 MSAs. The metro area includes not only Janesville, but also the cities of Beloit, Milton and Edgerton. Janesville is home to a two-year UW campus and a branch of Blackhawk Technical College.

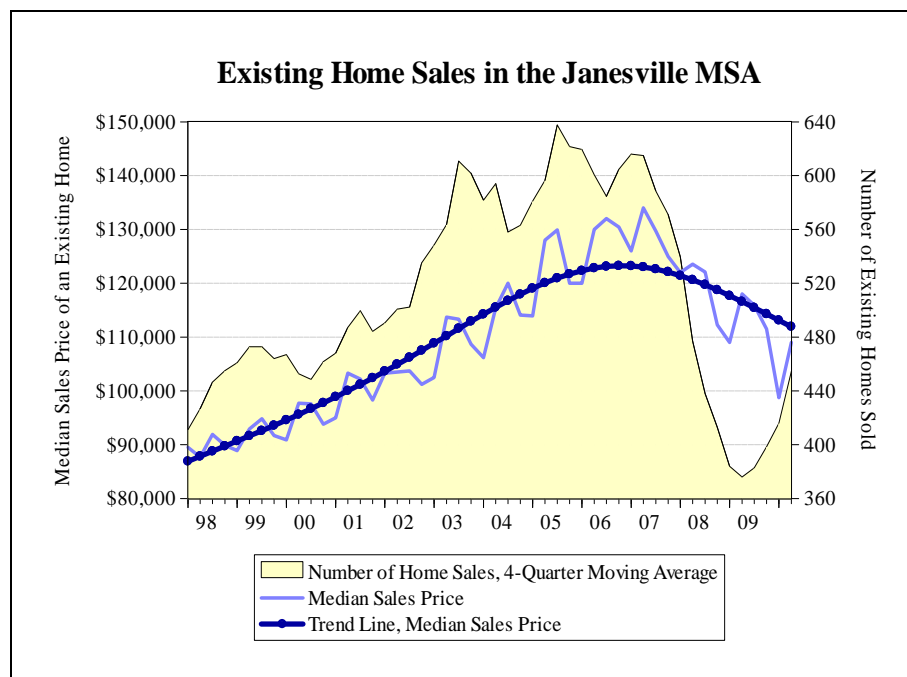
Located on the southern border of Wisconsin along the Rock River, its population was unchanged last year at 160,155.

Housing in the Janesville MSA

The median sales price of existing homes in the Janesville MSA was \$109,000 in the second quarter of 2010. This is from the Multiple Listing Service (MLS) sales data from the Wisconsin Realtors' Association. This is down 7.6% from the same time last year. Home prices peaked at \$134,000 in the second quarter of 2007 and are currently 18.7% below the peak.

The median sales price of existing homes is shown in Chart II.20, along with the trend line for the median price. The yellow area denotes the number of existing home sales. The number of sales peaked two years before the median price did, at 820 during the second quarter of 2005. It dipped, and then fell sharply as the economy plunged into recession. The number of existing home sales has risen the last four quarters as a result of the homebuyer tax credits. These credits have now expired, and the number of home sales is expected to fall over the next several quarters.

Chart II.20



Equalized Values

In Rock County, equalized values declined 4.8%. Residential property, which is 69.3% of the total, declined 6.0%. Economic change decreased the value of residential property by 6.9%, while new construction raised values by 0.6%. Commercial property, 19.5% of total equalized values, declined 3.3%.

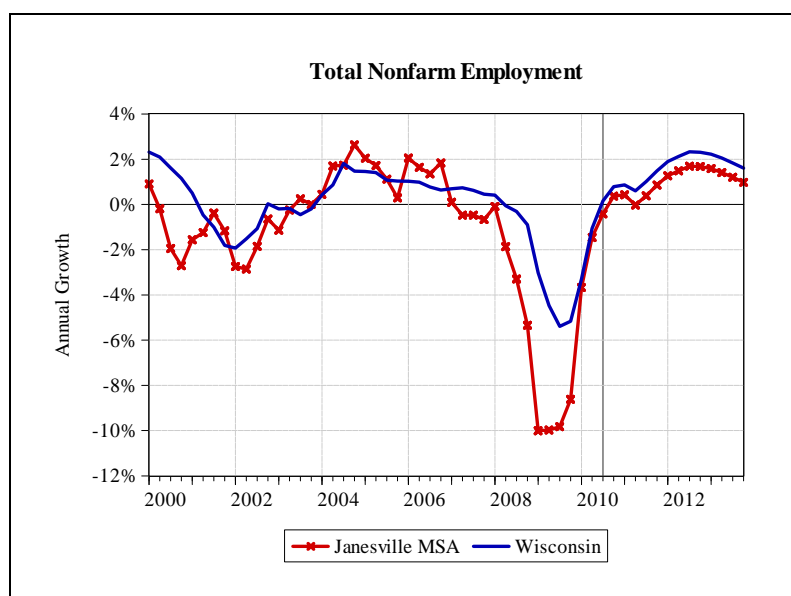
Employment

The largest employment sector in the Janesville MSA is trade, transportation, and utilities. At 14,990 employees, this sector is 24.4% of total nonfarm employment. The next largest sector is education and health services at 17.4% of total employment, followed by government, including public education, at 14.7% of total employment. Manufacturing was the second largest sector in 2008, at 18.1% of total, but employment in this sector declined 31% in 2009 and fell to 13.8% of total employment. Large employers in the area include Mercy Health System Corporation, Beloit Memorial Hospital, Inc., and Seneca Foods Corporation.

Total nonfarm employment in the Janesville MSA declined 9.5% in 2009, to 61,450. This was the sharpest decline among Wisconsin's 12 MSAs. This employment decline was led by the steep decrease in manufacturing following the closing of the GM plant in December of 2008. Many of GM's suppliers also closed around the same time. Professional and business employment fell 19.1% in 2009, and construction and mining employment declined 16.5%. Not all sectors saw a decline; education and health services increased 1.3% while government employment grew 0.8%.

The good news is most of the big declines are in the past. Employment has declined on a year-over-year basis most of this year, but at increasingly smaller rates. In July, employment was up 0.8% over the same month last year, although August and September employment was lower. Education and health services were up 0.9% in September over last year, and leisure and hospitality rose 3.3%.

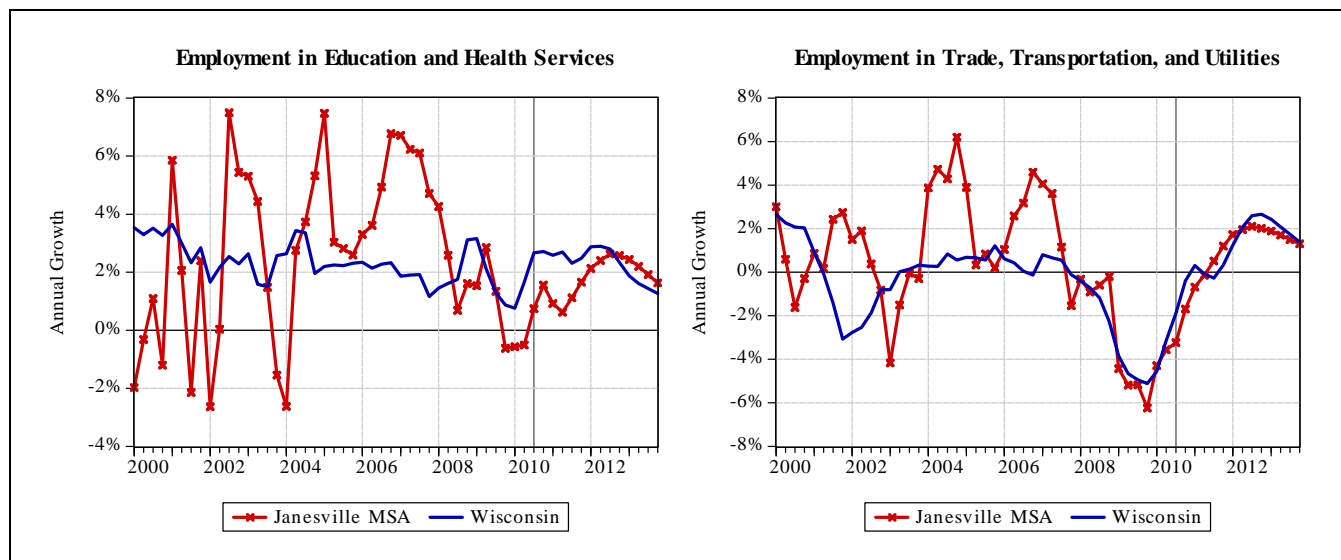
Chart II.21



Employment in the Janesville MSA will drop one more year, declining 1.3% in 2010, before resuming growth in 2011. Growth will accelerate in the last two years of the forecast period, increasing 1.5% and 1.3%, respectively, in 2012 and 2013. But it will be several more years before employment in the Janesville MSA reaches its pre-recession peak, reached in 2006.

Trade, transportation, and utilities, the area's largest employment sector, will decline 3.2% in 2010, with employment turning around in 2011 with a 0.2% increase. In 2012, this sector will see employment increase 2.0%, followed by a 1.6% increase in 2013. In the education and health services sector, employment growth will slow in 2010, to 0.3% but will increase throughout the forecast period.

Chart II.22



The unemployment rate in the Janesville MSA rose sharply in the first half of 2009 and has remained elevated. The September reading of 9.5% is still quite high, but is 2.1 percentage points lower than last year at this time. After averaging 12.5% in 2009, the unemployment rate in the Janesville MSA will fall two percentage points in 2010 to 10.5%, and then to 9.9% in 2011. It will continue to decrease, averaging 8.3% in 2013.

Personal Income

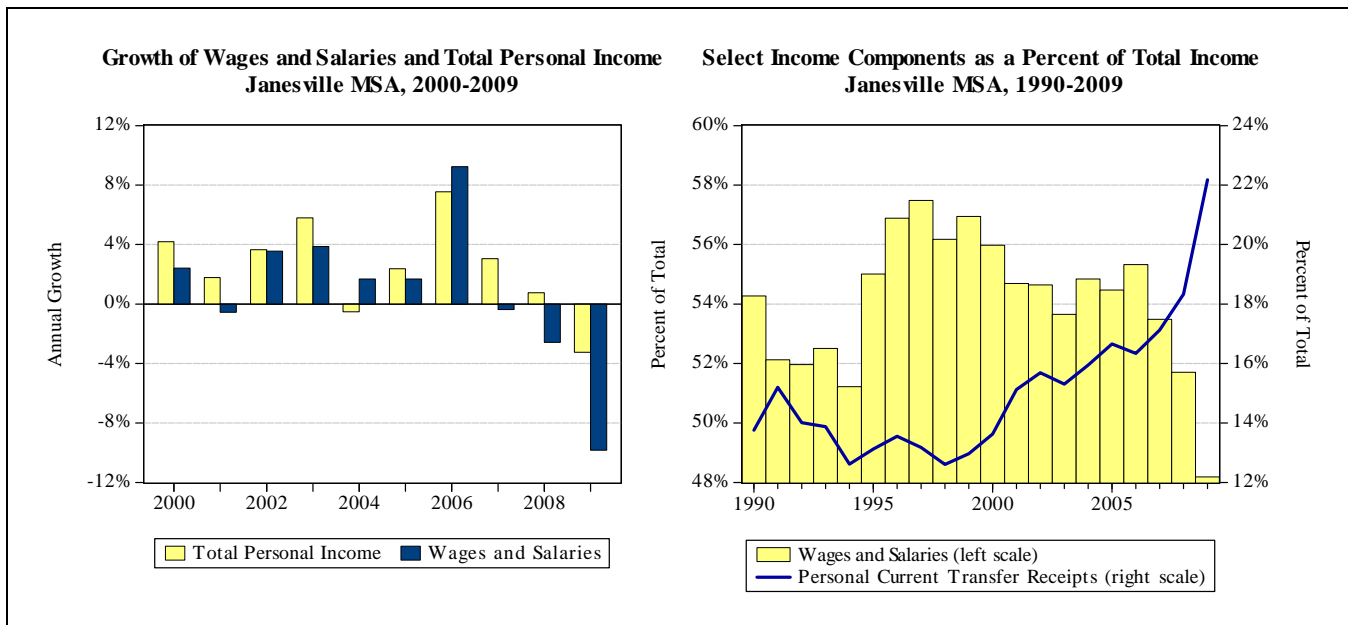
Total personal income in the Janesville MSA declined 3.3% in 2009, to \$4.932 billion. Nationally, personal income declined 1.7%, while in Wisconsin it dropped 0.9%. Per capita personal income fell 3.2% to \$30,797. This compares to per capita personal income of \$39,626 in the U.S. and \$37,398 in Wisconsin.

Wages and salaries, the largest components of personal income, fell 9.8% in the Janesville MSA. This decline can be seen in the left panel of Chart II.23. The panel on the right reflects the percent of total personal income in both wages and salaries (the bars) and transfer receipts (the line). Wages and salaries hovered between 52 and 56% of total personal income during much of the last two decades, peaking in the late nineties. In 2009 it fell to 48.2%.

Current transfer receipts, which is income received from government and businesses for which no services were performed, increased during the last two years, as social benefits from the government increased during the recession. Without the increase in current transfer receipts, personal income in the Janesville MSA would have fallen even further. In 2009, current transfer receipts reached 22.2% of total personal income, the highest in history.

Growth in total personal income in the Janesville MSA will resume in 2010, with a 2.7% increase to \$5.1 billion. The rate of growth will increase throughout the forecast period, with personal income rising 4.0% in 2013. Per capita personal income will also rise in 2010, up 2.0% to \$31,420. It will continue to increase, reaching \$34,396 in 2013, well below the state's \$42,155.

Chart II.23



JANESVILLE METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	70.1	69.8	68.0	61.4	60.6	60.9	61.8	62.6
% change	1.7%	-0.4%	-2.7%	-9.6%	-1.3%	0.4%	1.5%	1.3%
Unemployment Rate	5.0	5.4	6.2	12.5	10.5	9.9	9.1	8.3
Total Personal Income (\$ billions)	4.909	5.059	5.098	4.932	5.064	5.214	5.419	5.635
% change	7.5%	3.1%	0.8%	-3.3%	2.7%	3.0%	3.9%	4.0%
Per Capita Personal Income	31,064	31,730	31,826	30,797	31,420	32,169	33,249	34,396
% change	6.4%	2.1%	0.3%	-3.2%	2.0%	2.4%	3.4%	3.4%

LA CROSSE

The La Crosse MSA crosses the Mississippi River and includes both La Crosse County, WI and Houston County, Minnesota. The MSA includes the City of La Crosse, Onalaska and Caledonia, MN. La Crosse is home to a four-year UW campus, Viterbo University, and a branch of Western Technical College.

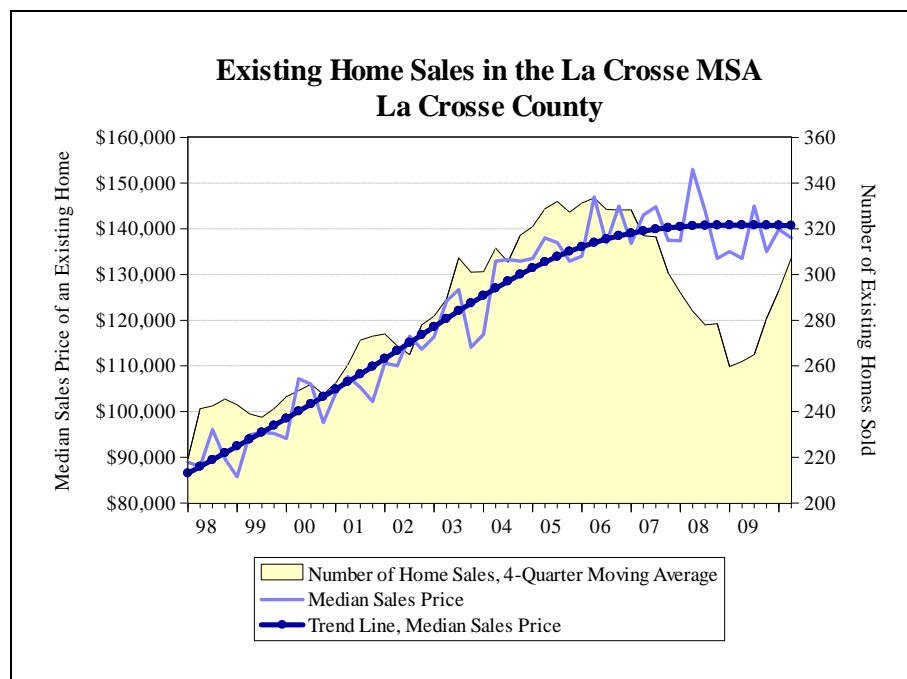
It is Wisconsin's fourth-smallest metro area, with its population increasing 0.9% to 132,923 in 2009.

Housing in the La Crosse MSA

The median sales price of an existing home in La Crosse County is \$138,000. This is according to second-quarter 2010 Multiple Listing Service (MLS) data from the Wisconsin Realtors Association. This is an increase of 3.4% from the same period in 2009, but 9.8% below the peak median price of two years ago. In general, prices in the La Crosse MSA have flattened over the past few years, as is shown in Chart II.24.

The yellow area in the Chart denotes the number of home sales. This peaked at the height of the housing boom in 2006. The number of home sales fell for several years, before picking up again during the last four quarters. This recent uptick is due to the homebuyers' tax credit. However, the tax credit has expired, and the number of home sales is expected to drop again in the coming quarters.

Chart II.24



Equalized Values

In La Crosse County (because Houston County is in Minnesota, we can only look at values from La Crosse County, rather than the MSA total), equalized values declined 0.5%. Residential properties, which make up 66.5% of equalized values, also declined 0.5%. Economic change contributed a decline of 1.3%, but this was partly offset by a 1.0% increase in residential values due to new construction. Commercial properties are 24.9% of total property values. This category of property declined 1.3% in 2009.

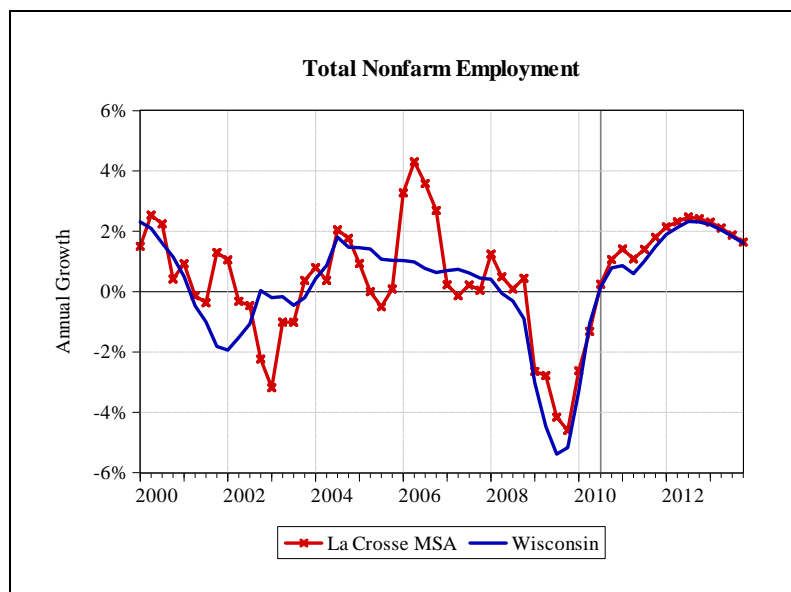
Employment

The largest employment sector in the La Crosse MSA is education and health services. More than one out of five jobs (21.5%) in the area is in this sector. The second largest sector, trade, transportation, and utilities, is 19.3% of total employment. This is followed by government, including public education (14.9% of total), and manufacturing (11.4%). Large employers in the La Crosse MSA include Gunderson Lutheran, Franciscan Skemp Medical Center, Inc., and Trane.

Employment declined 3.5% in 2009, better than the state on the whole with a decline of 4.5%. By sector, the largest declines were in manufacturing (-13.2%), construction and mining (-8.0%), and trade, transportation, and utilities (-5.7%). La Crosse's largest employment sector, education and health services, saw a 2.3% increase in 2009.

Employment during the first nine months of 2010 has begun to turn around. In the first four months of the year, year-over-year declines were greater than 2%. Since then, the declines have lessened, and in September employment was 0.7% greater than at the same time last year. Also in September, employment was up 4.2% over last year in leisure and hospitality, and up 1.7% in professional and business services.

Chart II.25



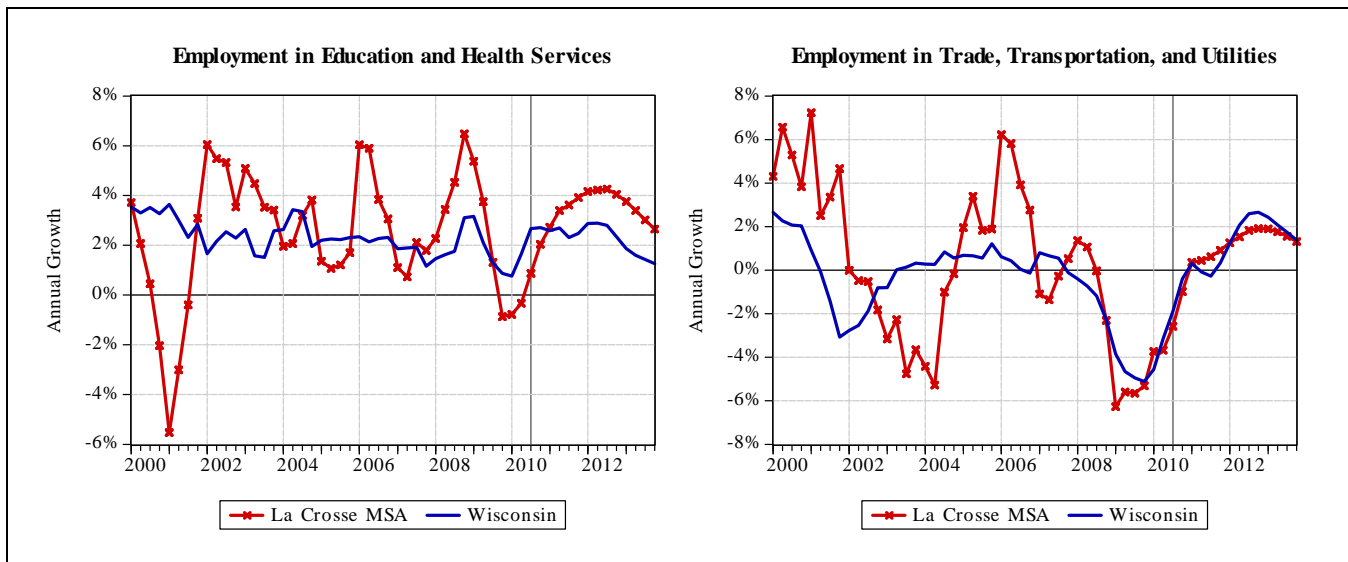
The La Crosse MSA is expected to see another year of annual declines in 2010, with employment falling 0.7%. After that, employment growth returns, with employment increasing 1.4% in 2011, 2.3% in 2012 and 2.0% in 2013. At the end of the forecast period, employment in the La Crosse MSA will have passed its pre-recession peak reached in 2008.

Education and health services is the largest employment sector in the La Crosse MSA. It will experience slower growth in 2010, but no annual decline. In 2010, it will increase 0.5%, before stronger growth of 3.4% follows in 2011. Employment growth continues with a 4.2% and 3.2% increase in 2012 and 2013, respectively.

Trade, transportation, and utilities will see employment decline in 2010, of 2.8%, before growth resumes in 2011 with a 0.6% increase. Employment increases 1.6% during the last two years of the forecast period.

The unemployment rate in the La Crosse MSA rose in the first half of 2009 as the recession deepened and has only recently begun to fall. The September reading of 5.5%, non-seasonally adjusted, is 0.9 percentage points lower than last year at this time. The unemployment rate averaged 6.9% in 2009 and will decrease to 6.2% in 2010. It will continue to decrease throughout the forecast period, averaging 5.0% in 2013.

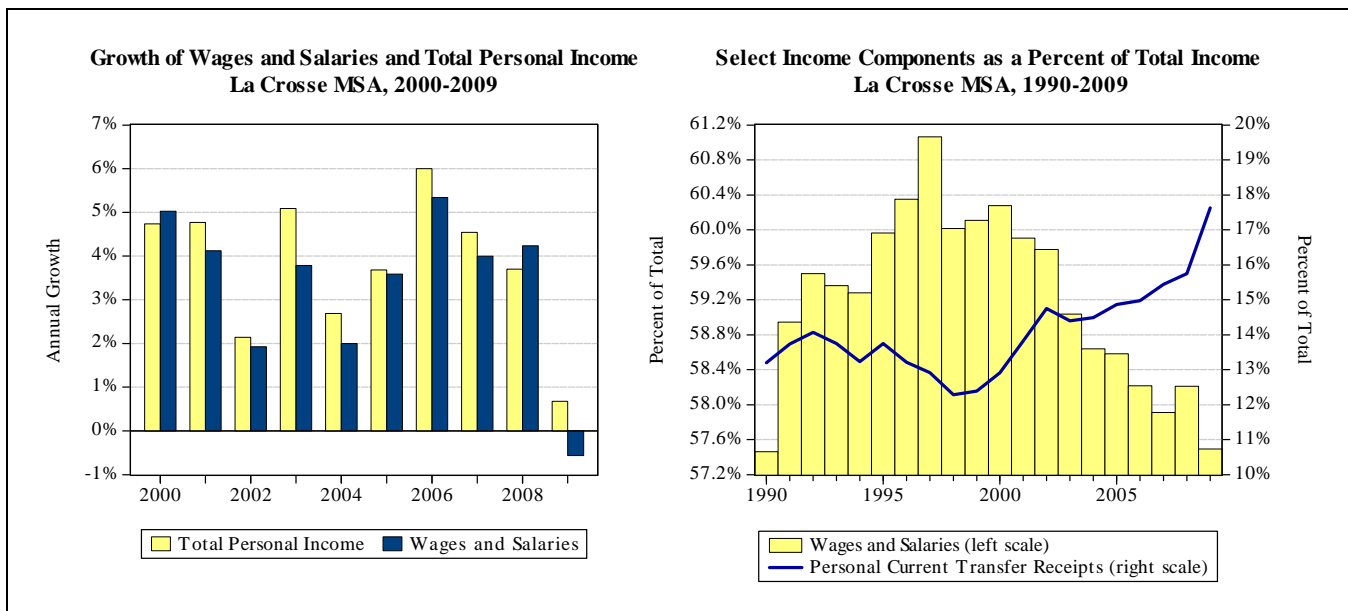
Chart II.26



Personal Income

Total personal income increased 0.7% in 2009 in the La Crosse MSA, to \$4.677 billion. La Crosse was the only Wisconsin MSA to see an increase in personal income in 2009. This increase compares to a decline of 1.7% nationally and 0.9% in Wisconsin. Per capita personal income, however, declined 0.2% in 2009, to \$35.183. This compares to per capita personal income of \$39,626 in the U.S. and \$37,398 in Wisconsin.

Chart II.27



Wages and salaries, the largest component of personal income in La Crosse, declined 0.6% in 2009. This growth is charted in the left panel of Chart II.27. Total personal income was pulled higher by growth in other components of personal income, including a 12.7% increase in current transfer receipts. These are payments received from government or business for which no work was performed. Often this is government payments, and in this case was most likely an increase in unemployment payments and food stamps during the recession.

The share of wages and salaries (the bars) and current transfer receipts (blue line) over time is charted in the right panel of Chart II.27. Wages and salaries, as a share of total income, peaked in the late 1990s and have fallen throughout this decade. It fell to 57.5% in 2009. Current transfer receipts wavered between 12 and 14% of total income through the 1990s and then rose during the last ten years. In 2009 it reached a record high of 17.6% of total personal income, due to an increase in government social benefits during the recession.

Personal income will increase in 2010, with growth of 2.7%. Growth accelerates towards the end of the forecast period, with personal income increasing 2.8% in 2011, 3.7% in 2012, and 3.8% in 2013. Per capita personal income growth resumes in 2010, increasing 1.9% to \$35,868. Increases continue over the following three years, reaching \$39,087 in 2013. This compares to \$42,155 at the state level.

LA CROSSE METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	75.0	75.0	75.5	72.8	72.3	73.3	75.0	76.5
% change	3.5%	0.1%	0.6%	-3.5%	-0.7%	1.4%	2.3%	2.0%
Unemployment Rate	3.8	4.0	4.2	6.9	6.2	6.0	5.5	5.0
Total Personal Income (\$ billions)	4.285	4.479	4.645	4.677	4.802	4.935	5.118	5.311
% change	6.0%	4.5%	3.7%	0.7%	2.7%	2.8%	3.7%	3.8%
Per Capita Personal Income	33,000	34,192	35,263	35,183	35,868	36,676	37,844	39,087
% change	5.5%	3.6%	3.1%	-0.2%	1.9%	2.3%	3.2%	3.3%

MADISON

The Madison MSA is Wisconsin's second largest MSA and includes Dane, Columbia and Iowa Counties. The MSA includes the City of Madison, Sun Prairie, Fitchburg, Middleton, and Stoughton in Dane County. It also includes Portage in Columbia County, and Dodgeville in Iowa County. Madison is home to the main UW campus, as well as Madison Area Technical College (MATC) and Edgewood College. A second MATC Campus is located in Portage.

It is the fastest growing MSA, with its population growing 1.4% in 2009 to 570,025.

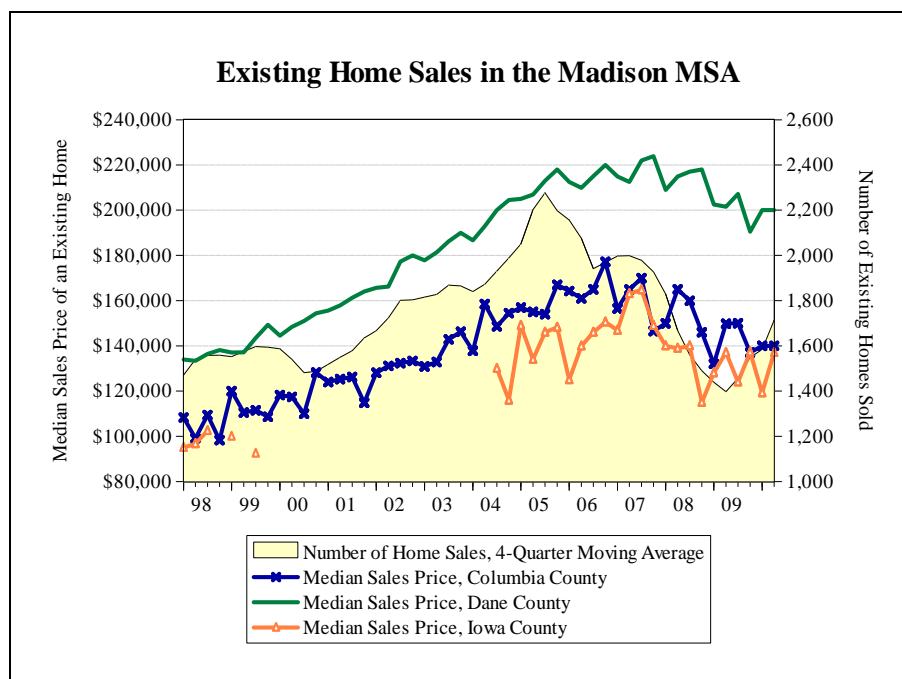
Housing in the Madison MSA

The median sales price of an existing home in the Madison MSA during the second quarter of 2010 ranged from \$200,000 in Dane County to \$137,000 in Iowa County. This is from Multiple Listing Service (MLS) sales data from the Wisconsin Realtors Association. In Dane County, the price was nearly flat when compared to last year. There was no change in the price in Iowa County, but the median price declined 6.5% to \$140,000 in Columbia County.

The median sales price of existing homes peaked in the middle part of the decade in all three counties. In Dane County, the peak price of \$223,900 was reached in the fourth quarter of 2007. The current price is 10.7% below the peak. In Iowa County, the median price peaked at \$164,800 during the third quarter of 2007, and is 16.8% below that now. The peak median price came earlier in Columbia County, at \$177,100 during the fourth quarter of 2006. The median price is currently 20.9% below that peak.

The median prices are shown in Chart II.28. The yellow area denotes the number of existing home sales for the entire Madison MSA. The number of homes sold peaked at 3,052 during the second quarter of 2005. It declined for nearly four years following that peak. In the last four quarters, the number of homes sold has increased due to the homebuyer tax credit. In the second quarter of 2010 the number of homes sold rose 27.0% over the prior year, to 2,444. However, the tax credit has now expired, and the number of homes sold is expected to decline in the coming quarters.

Chart II.28



Equalized Values

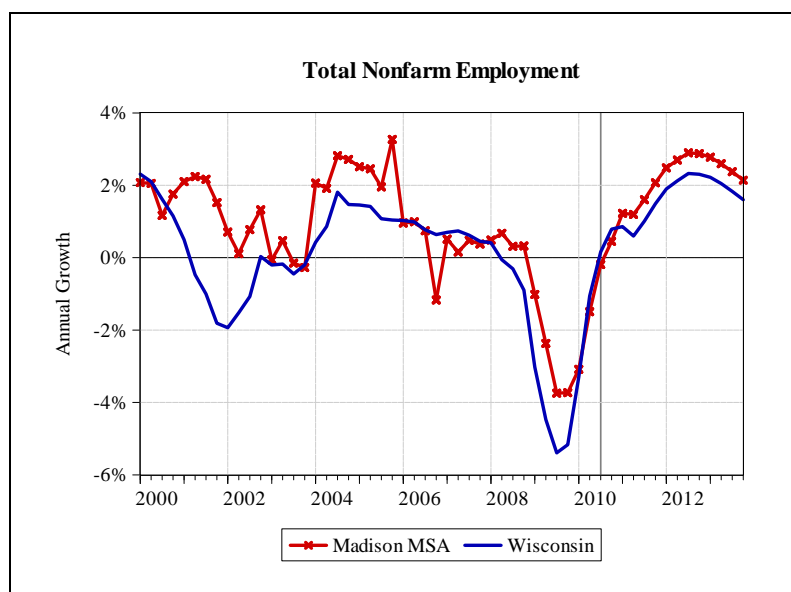
Equalized values declined 3.1% in 2009. Residential properties, at 68.1% of total property values, declined 4.8%. Economic change decreased values 3.3%, while new construction added 0.8% to residential values. Other changes, often a classification change, resulted in a 2.3% decline. Commercial values are 23.9% of total property values in the Madison MSA. These increased 1.9% in 2009, although economic change decreased commercial values 6.3%. New construction and other changes more than offset this decline.

Dane County is by far the largest of the three counties. Property in Dane County is 87.8% of total property values in the Madison MSA. In 2009, total equalized values in Dane County declined 3.0%, while residential values declined 4.9%. Equalized values in Columbia County, 8.9% of the total, declined 3.9%, with residential values declining 5.1%. Iowa County makes up the remaining 3.3% of property values, and saw the smallest decline at 1.7%. Residential values declined 2.4% in Iowa County.

Employment

The largest employment sector in the Madison MSA in 2009 was government, including state and local education and hospitals, at 24.8% of total employment. This is due to the large presence of state government at the state's capital, as well as the main University of Wisconsin campus and the UW Hospital. The second largest sector is trade, transportation and utilities, at 16.5% of total employment, followed by education and health services (11.3% of total) and professional and business services (10.5% of total). Manufacturing is 8.3% of total employment in the Madison MSA. Large employers include American Family Mutual Insurance Co., the University of Wisconsin Hospitals & Clinics Authority, and Epic Systems Corporation in Dane County, Divine Savior Healthcare Inc. and Associated Milk Producers in Columbia County, and Lands End Inc., and Cummins Emissions Solutions Inc. in Iowa County.

Chart II.29



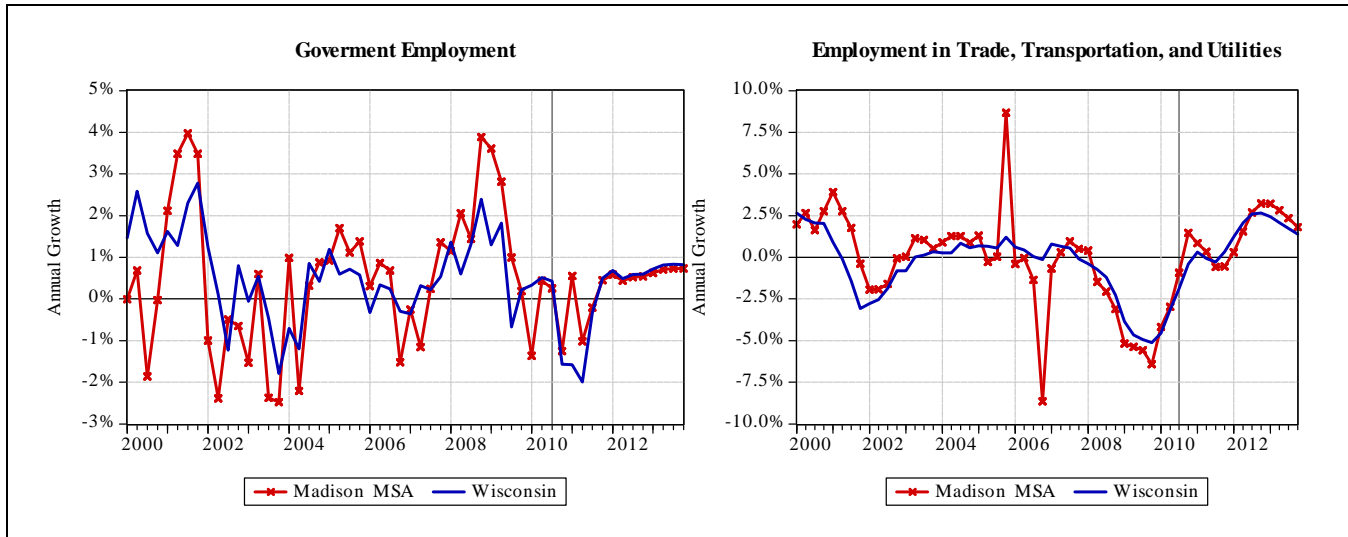
Total nonfarm employment in the Madison MSA declined 2.7% in 2009, to 339,500. While this seems like a large decline, it was the smallest annual decline of all the 12 metro areas in the state and smaller than Wisconsin's 4.5% decrease in jobs. Among the sectors, manufacturing declined 10.8%, construction and mining fell 17.0%, and professional and business services fell 6.3%. At the same time, employment in education and health services rose 4.9% and government employment, including public education, increased 1.9%.

Employment is still falling in 2010, but the rate of decline is lessening. In January employment was 3.8% below its year-ago level, but by September employment was nearly flat, just 0.2% below the prior year. Employment increased in education and health services (+2.9%) and leisure and hospitality (+3.3%).

Total nonfarm employment in the Madison MSA is expected to decrease again in 2010, shedding 1.1% of jobs over the course of the year. Employment turns around after that, and increases 1.5% in 2011. By 2013 employment in the Madison MSA reaches 359,000, above its pre-recession level of 349,100 reached in 2008.

Government employment will be restrained by tight state and local budgets over the next several years. Employment in the government sector in the Madison MSA will drop 0.5% in 2010 and will be nearly flat in 2011. Employment growth will resume in 2012 and 2013, but at a slower pace than the rest of the sectors. Trade, transportation, and utilities will fall 1.7% in 2010, and then show no change in 2011. Stronger growth returns in 2012 and 2013 with a 1.9% and 2.5% increase, respectively.

Chart II.30



The unemployment rate in the Madison MSA rose during the first half of 2009 as the recession deepened but has improved throughout most of 2010. The September reading of 5.1% is 0.8 percentage points lower than last year at this time. The unemployment rate will average 5.7% in 2010, down from 6.0% in 2009. It will continue to drop, reaching 4.6% in 2013. This is nearly two percentage points lower than the forecasted state unemployment rate of 6.5% in 2013.

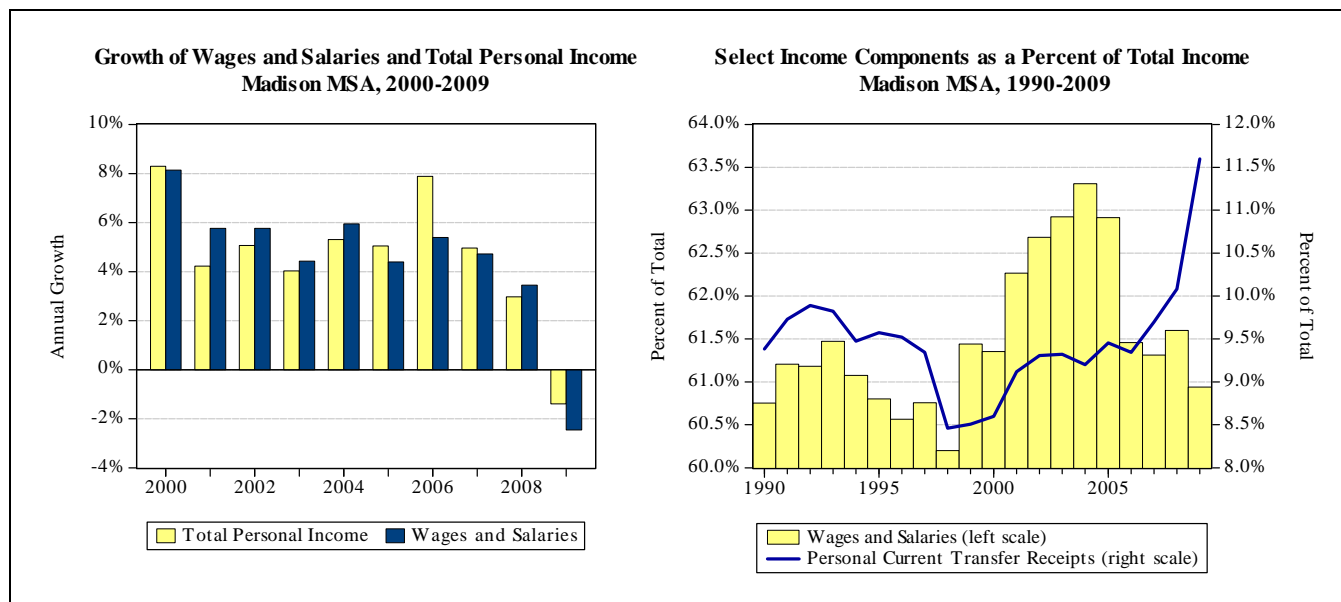
Personal Income

Total personal income in the Madison MSA fell 1.4% in 2009, to \$24.48 billion. Personal incomes declined 1.7% nationally and 0.9% in Wisconsin. Per capita personal income declined 2.8% in 2009, to \$42,946. This is higher than the per capita personal income of \$39,626 in the U.S. and \$37,398 in Wisconsin.

Income from wages and salaries fell 2.5% in the Madison MSA. Wages and salaries are the largest component of personal income. Growth in wages and salaries and total personal income are in the left panel of Chart II.31. 2009 was the first year to see a decline in total personal income since the series began in 1969.

The right panel of Chart II.31 shows the share of wages and salaries, in the yellow bars, and current transfer receipts, plotted by the blue line. Income from current transfer receipts is income received from government and businesses for which no services were performed. Wages and salaries were around 61% of total personal income through much of the 1990's. It rose as a share of personal income to nearly 63.5% in 2004 before declining again. In 2010, it was 60.9% of the total. Current transfer receipts were below 10% of total income until 2008. By 2009 it rose to 11.6% of total personal income, as government social benefits increased during the recession at the same time that other income components declined.

Chart II.31



Total personal income growth resumes in 2010, with a 3.4% increase. Growth accelerates as we move through the forecast period, with increases of 4.7% in 2012 and 4.8% in 2013. Per capita personal income follows a similar pattern, increasing 2.2% to \$43,902 in 2010. By 2013, per capita personal income reaches \$48,367, well above the state's \$42,155.

MADISON METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	346.2	347.5	349.1	339.6	335.9	341.0	350.4	359.0
% change	0.4%	0.4%	0.5%	-2.7%	-1.1%	1.5%	2.7%	2.5%
Unemployment Rate	3.4	3.5	3.6	6.0	5.7	5.5	5.1	4.6
Total Personal Income (\$ billions)	22.973	24.113	24.828	24.480	25.314	26.244	27.476	28.785
% change	7.9%	5.0%	3.0%	-1.4%	3.4%	3.7%	4.7%	4.8%
Per Capita Personal Income	41,991	43,455	44,172	42,946	43,902	45,030	46,649	48,367
% change	6.5%	3.5%	1.7%	-2.8%	2.2%	2.6%	3.6%	3.7%

MILWAUKEE-WAUKESHA-WEST ALLIS

The Milwaukee MSA is made up of Milwaukee, Waukesha, Ozaukee, and Washington Counties along the Lake Michigan coast. It includes the cities of Milwaukee, West Allis, Wauwatosa, and Greenfield in Milwaukee County; Waukesha, New Berlin, and Brookfield in Waukesha County; Mequon and Cedarburg in Ozaukee County; and West Bend and Germantown in Washington County.

Home to the Milwaukee Bucks and the Milwaukee Brewers, the Milwaukee MSA hosts three UW campuses and multiple campuses of three tech college system schools: Waukesha County, Moraine Park, and the Milwaukee Area Technical Colleges. In addition, Milwaukee is home to several private colleges, such as Marquette University, the Medical College of Wisconsin, Alverno College, the Milwaukee School of Engineering and others.

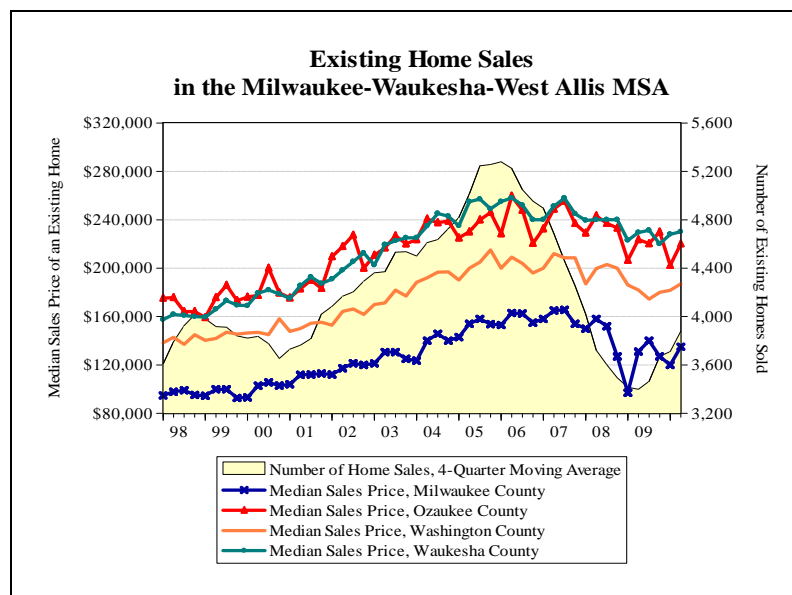
It is Wisconsin's largest MSA, with the population increasing 0.6% to 1.6 million residents in 2009.

Housing in the Milwaukee-Waukesha-West Allis MSA

There is a wide range of home prices in the Milwaukee area counties, using existing home Multiple Listing Service (MLS) sales data from the Wisconsin Realtors' Association. At the low end is Milwaukee County, with a median existing home sales price of \$135,000 in the second quarter of 2010. At the high end are two of the suburban counties: Waukesha, with a median price of \$230,000, and Ozaukee County, at \$220,000. In the middle is Washington County, with a median sales price of \$187,000. In each county, the current median price is between 10 and 20% below the peak.

The median home prices for each county are plotted in Chart II.32. The yellow area is the number of existing home sales over the entire Milwaukee MSA. There were 4,820 existing homes sold in the Milwaukee MSA in the second quarter of 2010. The number of homes sold peaked at 6,461 in 2005 and is currently 25.4% below that peak. However, home sales in the second quarter of 2010 was 16.2% above its year ago level. This is due to the federal homebuyer's tax credit. This credit has now expired, and home sales and prices are expected to dip in the coming quarters.

Chart II.32



Equalized Values

Summing the equalized values for the four counties within the Milwaukee MSA reveals that equalized values in the area declined 4.2% in 2009. Residential values, which are 71.1% of total property values, fell 4.5%. Economic changes resulted in a decline of 4.8%, while new construction added 0.5% to residential values. All four counties saw a decline in residential values. Commercial values, at 23.2% of total property values, declined 4.4%. Economic change brought down values 4.9%, while new construction added 1.4% to values and other changes resulted in a 0.9% decrease.

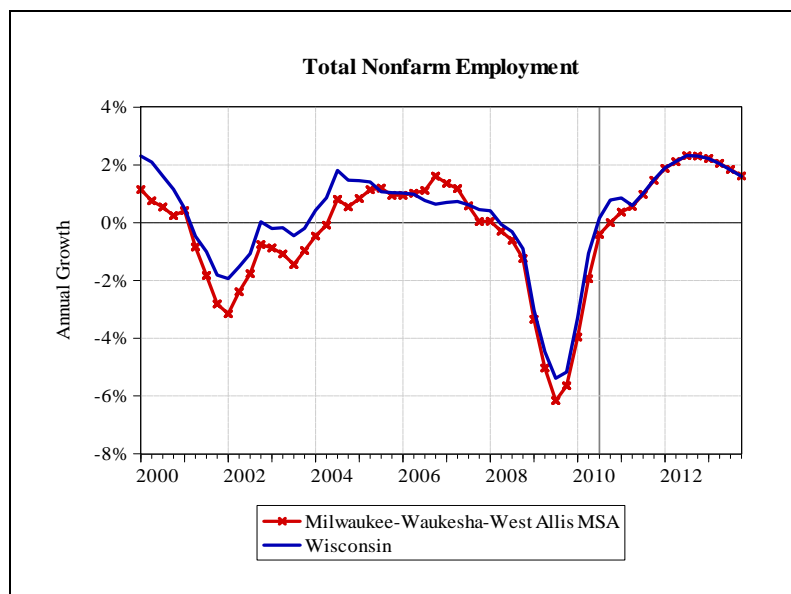
Milwaukee County is the largest county by property value, at 45.9% of the values. Residential values in Milwaukee County declined 5.7% in 2009. Waukesha is the second largest county by property values, at 36.4%. In 2009 residential values in Waukesha County fell 3.5%. Ozaukee County is 7.8% of property values, and experienced a 4.2% decline in residential values in 2009. The remaining 9.9% of property values is in Washington County, which saw a 3.1% decline in residential values.

Employment

The largest employment sector in the Milwaukee-Waukesha-West Allis MSA is education and health services. Employment in this sector reached 144,700 in 2009, 17.9% of total employment. The second largest sector in the area is trade, transportation, and utilities, at 17.5% of the total. In 2008, this was the largest sector. But employment decreased 6.0% while education and health services grew 1.6%, allowing that sector to become a larger share of employment. The next largest sectors are manufacturing (14.2% of the total) and professional and business services (12.6%).

Large employers in the Milwaukee area include Aurora Health Care Metro, the Medical College of Wisconsin, Froedtert Memorial Lutheran Hospital, and Northwestern Mutual in Milwaukee County; Columbia St. Mary's and Rockwell Automation in Ozaukee County; Kohl's Department Stores and Waukesha Memorial Hospital in Waukesha County; and Quad Graphics and West Bend Mutual Insurance Company in Washington County.

Chart II.33



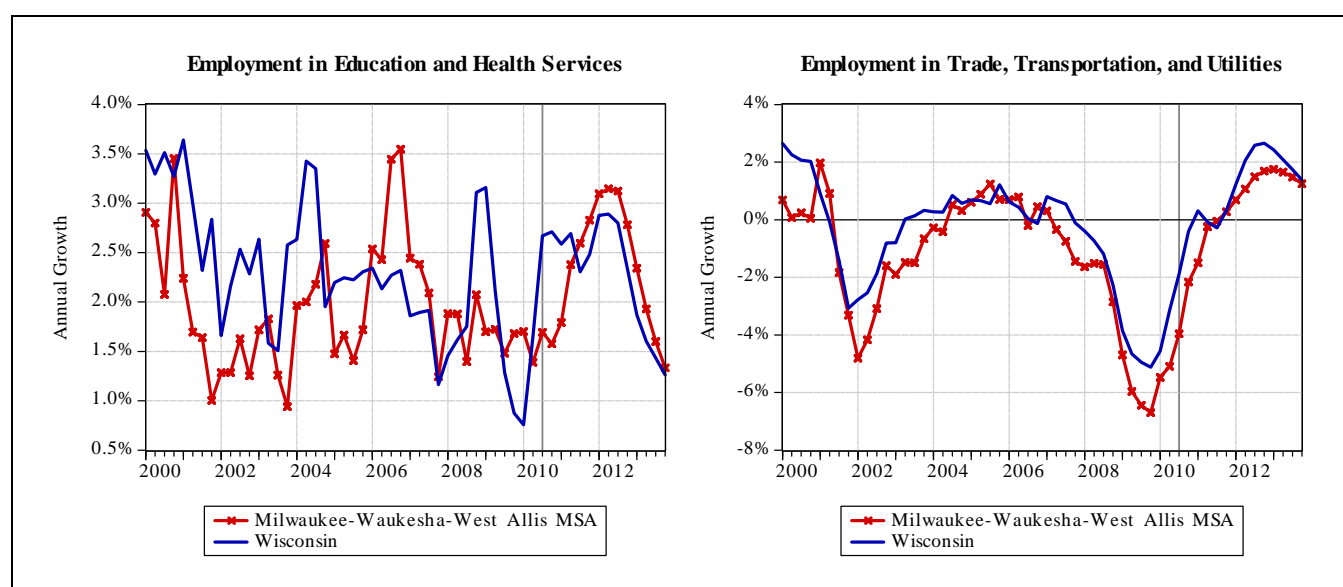
Employment in the Milwaukee-Waukesha-West Allis MSA fell 5.0% in 2009. This compares to a 4.5% employment decline in Wisconsin. Employment in construction and mining declined 14.4%, manufacturing fell 12.1%, and professional and business services fell 10.5%. Two large sectors did see growth: education and health services increased 1.6%, while government, include state and local education, increased 0.7%.

So far in 2010, employment has continued to decline, but at a continuously decreasing pace. The first three months of the year saw employment declines over the previous year in the 3-5% range. But these declines lessened, and in September, employment was 0.8% below its year-ago level. Also in September, employment increased over last years' levels in the education and health services sector, and in leisure and hospitality.

Employment will decline again in 2010, dropping 1.6%. In 2011, growth resumes with a 0.8% increase. Growth averages around 2.0% during the last two years of the forecast period. However, by the end of the forecast period, employment is still 2.4% below its pre-recession peak reached in 2007.

Education and health services, the largest sector in the region, will continue to grow in 2010, with a 1.6% increase. Growth in this sector then averages 2.4% the remaining three years of the forecast period. Trade, transportation, and utilities will see declines for two more years before increasing 1.2% in 2012 and 1.5% in 2013.

Chart II.34



The unemployment rate in the Milwaukee-Waukesha-West Allis MSA rose dramatically in the first half of 2009 and has remained elevated. It is beginning to trend lower, and the September reading of 7.7%, non-seasonally adjusted, is 0.9 percentage points lower than last year at this time. The unemployment rate will average 8.5% in 2010, down slightly from 8.7% in 2009. It will continue to drift lower, reaching 7.0% in 2013.

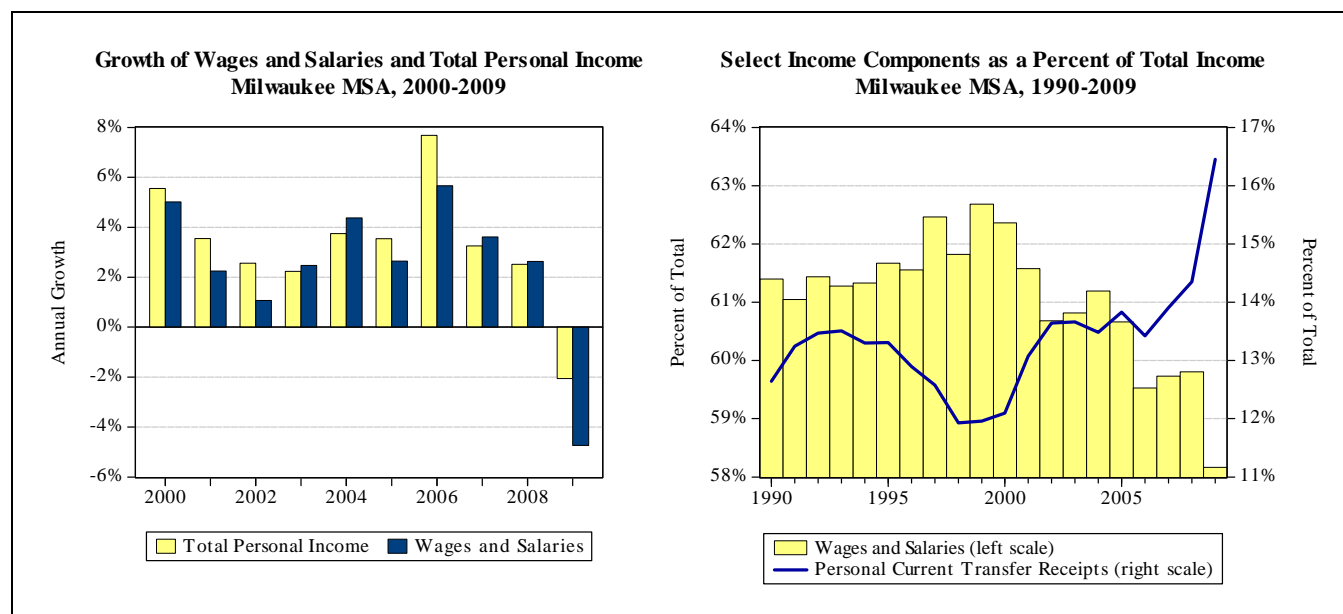
Personal Income

Total personal income in the Milwaukee-Waukesha-West Allis MSA fell 2.1% in 2009, to \$65.031 billion. This compares to a 1.7% decline in the U.S. and a 0.9% decline in Wisconsin. This is the first time personal income declined, on an annual basis, since the data series began in 1969. Per capita personal income also fell, declining 2.6% to \$41,696. In the U.S., per capita personal income declined 2.6% to \$39,626, and it declined 1.4% in Wisconsin, to \$37,398.

Growth in total personal income and in wages and salaries is charted in the left panel of Chart II.35. Wages and salaries are the largest component of personal income. Wages and salaries declined 4.7% in 2009, faster than total personal income as a whole.

The panel on the right shows the share of wages and salaries (in the yellow bars) and current transfer receipts (blue line) of personal income. Wages and salaries were over 61% of personal income through the 1990s but the share fell during the 2001 recession and never fully recovered. The wage share hit a low of 58.2% in 2009 due to high unemployment rates. Income from current transfer receipts is income received from government and businesses for which no services were performed. This income source has increased as a share of total income during the last two years, as laid-off workers received unemployment insurance payments and the government mailed stimulus checks to improve the economy.

Chart II.35



Personal income growth resumes in 2010 with a 2.9% increase. Growth accelerates towards the end of the forecast period, averaging 4.4% in 2012 and 2013. Per capita income growth follows a similar growth pattern with a 2.3% increase in 2010 to \$42,658. By 2013 per capita personal income reaches \$47,103, above the state's \$42,155.

MILWAUKEE-WAUKESHA-WEST ALLIS METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	850.5	857.3	852.8	809.8	796.8	803.5	820.9	836.8
% change	1.2%	0.8%	-0.5%	-5.0%	-1.6%	0.8%	2.2%	1.9%
Unemployment Rate	4.9	4.9	4.9	8.7	8.5	8.3	7.7	7.0
Total Personal Income (\$ billions)	62.727	64.768	66.396	65.031	66.917	69.133	72.135	75.311
% change	7.7%	3.3%	2.5%	-2.1%	2.9%	3.3%	4.3%	4.4%
Per Capita Personal Income	40,724	41,926	42,824	41,696	42,658	43,782	45,393	47,103
% change	7.4%	3.0%	2.1%	-2.6%	2.3%	2.6%	3.7%	3.8%

OSHKOSH/NEENAH

The Oshkosh/Neenah MSA is comprised of Winnebago County, located in the Fox Valley region between Fond du Lac and Appleton. The MSA is centered on sister cities Oshkosh and Neenah, and also includes the cities of Menasha and Algoma. Oshkosh is home to a four-year UW campus and a branch of Fox Valley Technical College.

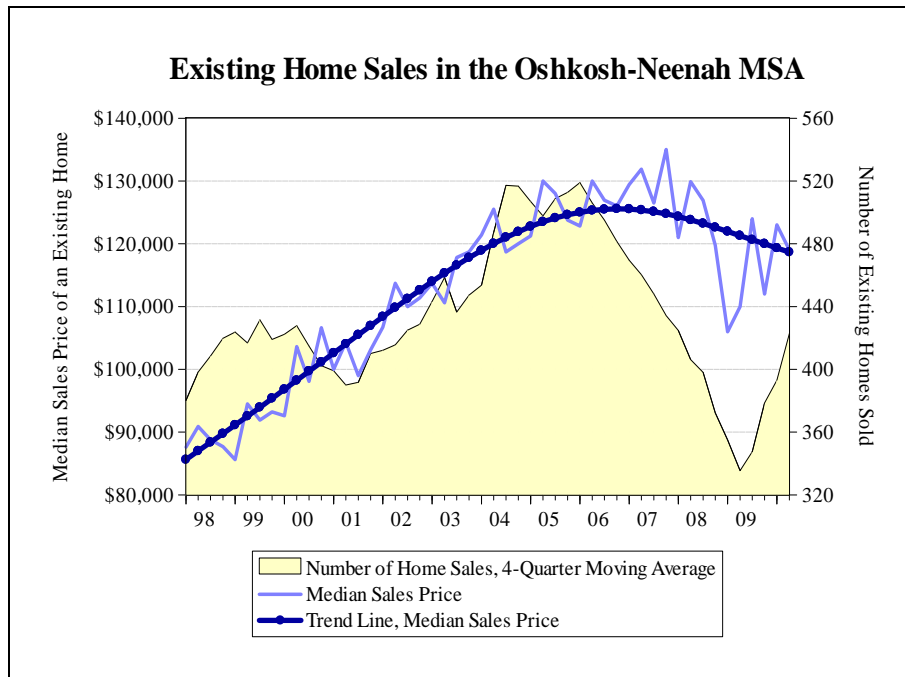
The Oshkosh/Neenah MSA is the sixth-largest metropolitan area in the state. In 2009, it experienced 0.8% population growth, expanding to 163,370 residents.

Housing in the Oshkosh/Neenah MSA

The median sales price of an existing home in the Oshkosh/Neenah MSA rose 8.2% in the past year, to \$119,000 in the second quarter of 2010. This is based on Multiple Listing Service (MLS) sales data from the Wisconsin Realtors Association. The median prices are plotted in Chart II.36, with the darker line tracing the long term trend in prices. The median price peaked at \$135,000 during the fourth quarter of 2007 and has fallen since.

The yellow area denotes the number of existing home sales. This peaked at 707 during the second quarter of 2004, several years before the price peaked. The number of home sales has risen during the past several quarters, but this is due to the homebuyers' tax credit. The tax credit has now expired, and the number of home sales is expected to decline during the next year or so.

Chart II.36



Equalized Values

Equalized values in Winnebago County decreased 1.6% in 2009. Residential values make up 68.9% of total equalized values, and declined 2.1% in 2009. Economic change lowered values 2.7%, while new construction brought residential values up 0.8%. Commercial values, at 20.2% of total equalized values in Winnebago County, increased 0.6%. There was a 1.2% decrease due to economic change, but this was offset by a 2.2% increase in values from new construction.

Employment

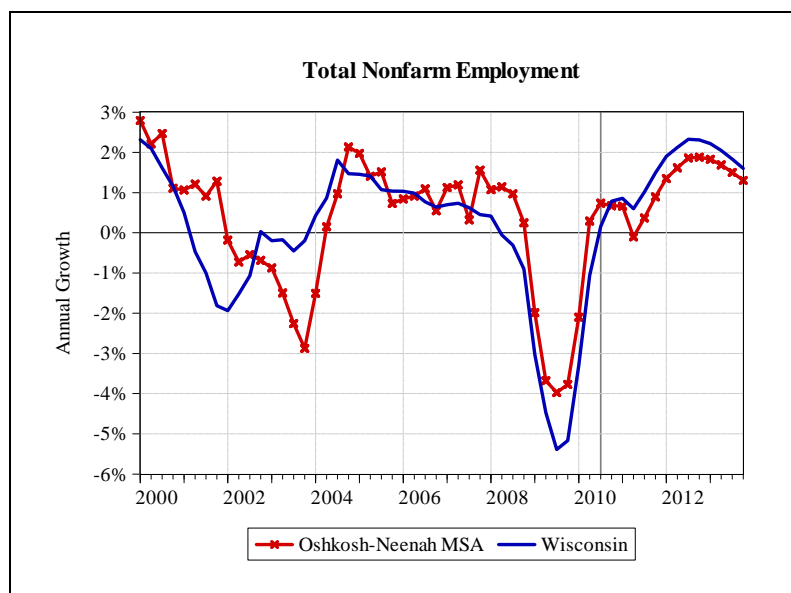
The largest employment sector in the Oshkosh/Neenah MSA is manufacturing. Over one out of every four jobs was in manufacturing in 2009 (25.9% of total employment). Trade, transportation, and utilities is the second-largest sector, at 15.0% of total employment. The next largest employment sector is government, at 13.8% of total employment, followed by education and health services, at 13.0% of employment. Large employers in the area include Oshkosh Corporation, Kimberly Clark Global Sales Inc., and Pierce Manufacturing.

Total non-farm employment in the Oshkosh/Neenah MSA declined 3.4% in 2009, to 90,800. This compares to a decline of 4.5% in the state. Manufacturing did relatively well in the Oshkosh/Neenah MSA. Manufacturing employment in Wisconsin declined 11.6%. But in the Oshkosh/Neenah MSA manufacturing employment declined 3.3%. This is due in part to the large military contracts awarded to the Oshkosh Corporation for the production of armored vehicles in the past several years. This spurred employment not only at Oshkosh Corporation but also at local suppliers.

Unfortunately, many sectors experienced larger declines than manufacturing, including an 11.0% decline in construction and mining employment, a 6.7% decline in professional and business services, and a 6.0% drop in trade, transportation, and utilities. The one sector to see growth in 2009 was other services, including repair and maintenance, personal and laundry services, and membership organizations and associations. This sector saw a 1.4% increase in employment in 2009.

Employment through the first nine months of 2010 has begun to see growth. In January, employment was 2.7% below its year ago level. Employment continued to decline, on a year-over-year basis, but at a decreasing rate. In May employment was flat, and it has increased since then. In September, employment was 0.6% above its year-ago level, with employment gains in construction and mining, manufacturing, professional and business services, education and health services, and leisure and hospitality.

Chart II.37

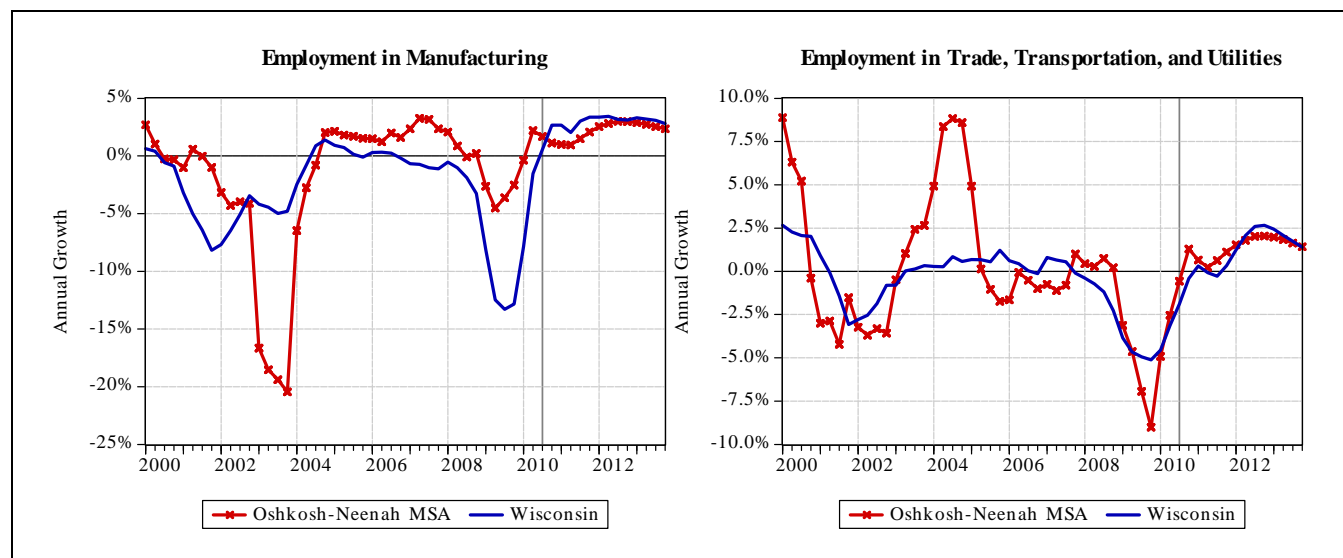


Employment will decrease 0.1% in 2010 in the Oshkosh/Neenah MSA, before increasing 0.5% in 2011. Growth will then accelerate for the remainder of the forecast period, increasing 1.7% in 2012 and 1.6% in 2013. At the end of the forecast period, in 2013, employment will be slightly higher than its pre-recession peak reached in 2008.

Employment in manufacturing in the Oshkosh/Neenah MSA will increase 1.2%. The sector continues to benefit from military contracts being awarded to one of its largest employers, Oshkosh Corporation. Going forward, manufacturing employment will continue to grow, averaging 2.3% increases during the last three years of the forecast period.

The trade, transportation, and utilities sector will see another year of decline in 2010, decreasing 1.7%. It will turn around in 2011, growing 0.7%, before increasing an average of 1.7% in 2012 and 2013.

Chart II.38



The unemployment rate in the Oshkosh/Neenah MSA rose dramatically in the first half of 2009 as the recession deepened. It has begun to turn around, with the September reading of 6.3%, non-seasonally adjusted, 1.0 percentage points lower than last year at this time. The unemployment rate in 2010 will average 7.0%, down 0.7 percentage points from 2009. It will continue to trend lower, reaching 5.9% in 2013.

Personal Income

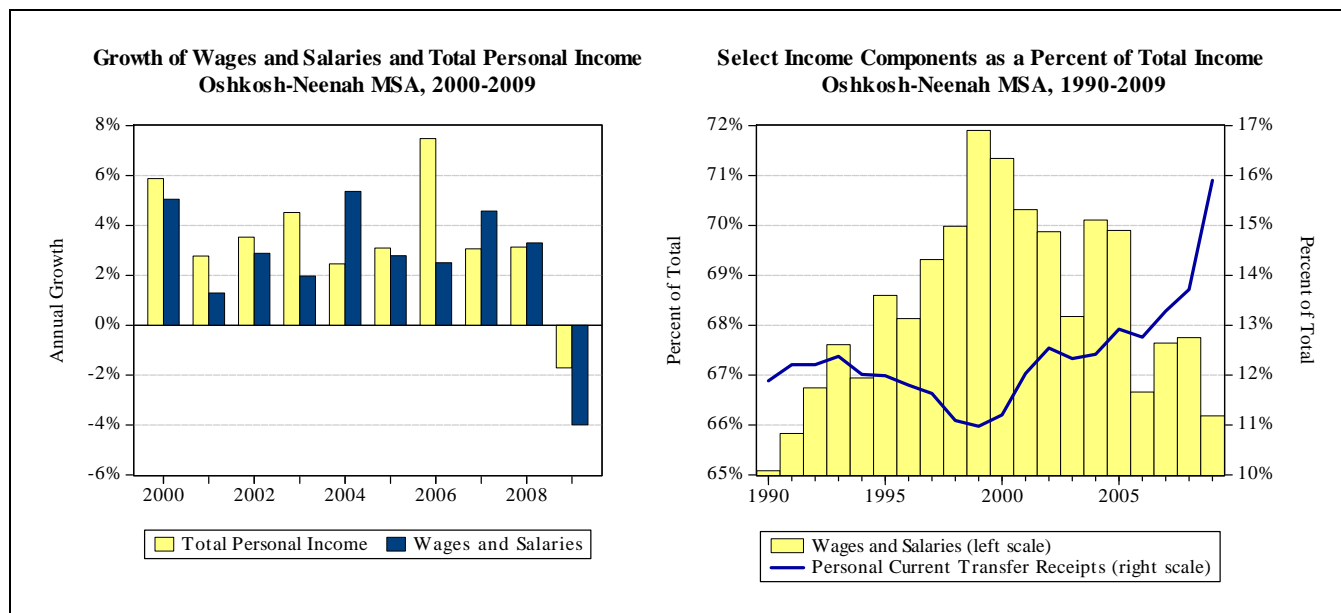
Total personal income in the Oshkosh/Neenah MSA decreased 1.7% to \$5.917 billion. This is the first year in history that nominal personal income has fallen in the Oshkosh/Neenah MSA. Nationally, total personal income declined 1.7%, while personal income in Wisconsin fell 0.9%. Per capita personal income also declined in the Oshkosh/Neenah MSA, dipping 2.5% to \$36,218. This compares to per capita personal income of \$39,626 in the U.S. and \$37,398 in Wisconsin.

Wages and salaries, the largest component of personal income, declined 4.0% in 2009. This is seen in the left panel of Chart II.39. Growth in wages and salaries are the dark blue bars, while the yellow bars reflect growth in total personal income. Through most of this decade, total personal income has increased more than wages and salaries. As a result, the share of total personal income from wages and salaries has decreased.

This measure, the share total personal income from wages and salaries, is charted by the yellow bars in the right panel of Chart II.39. It rose throughout the 1990s, reaching over 70% of total income. It fell throughout most of the past decade and dropped to 66.2% in 2009 – slightly above its level of 65.1% in 1990.

The blue line tracks current transfer receipts as a share of total personal income. Current transfer receipts are payments from government and business for which no services were performed. Often this is in the form of government social benefits. In the Oshkosh/Neenah MSA, this wavered around 12% of total personal income until around 2006. Since then it has increased, reaching a high of 15.9% in 2009 as more people received government social benefits during the past recession.

Chart II.39



Personal income will return to growth in 2010, increasing 2.8% to \$6.081 billion. Growth in personal income will continue through the forecast period, averaging 4.1% in 2012 and 2013. Per capita personal income will also increase throughout the forecast, growing 2.0% in 2010 and accelerating towards the end of the forecast period. In 2013, per capita personal income in the Oshkosh/Neenah MSA will be \$40,483, below the state per capita personal income of \$42,155.

OSHKOSH-NEENAH METROPOLITAN AREA FORECAST

	2006	History				Forecast			
		2007	2008	2009		2010	2011	2012	2013
Nonfarm Employment (thousands)	92.2	93.2	94.0	90.9		90.8	91.2	92.7	94.2
% change	0.8%	1.0%	0.9%	-3.4%		-0.1%	0.5%	1.7%	1.6%
Unemployment Rate	4.4	4.4	4.3	7.7		7.0	6.9	6.4	5.9
Total Personal Income (\$ billions)	5.664	5.837	6.020	5.917		6.081	6.273	6.532	6.806
% change	7.5%	3.1%	3.1%	-1.7%		2.8%	3.2%	4.1%	4.2%
Per Capita Personal Income	35,298	36,151	37,139	36,218		36,958	37,845	39,124	40,483
% change	6.9%	2.4%	2.7%	-2.5%		2.0%	2.4%	3.4%	3.5%

RACINE

The Racine MSA is made up of Racine County, just south of the Milwaukee area on the edge of Lake Michigan. The MSA includes the City of Racine, Mount Pleasant, Caledonia, Burlington and Sturtevant. Racine is home to a branch of Gateway Technical College.

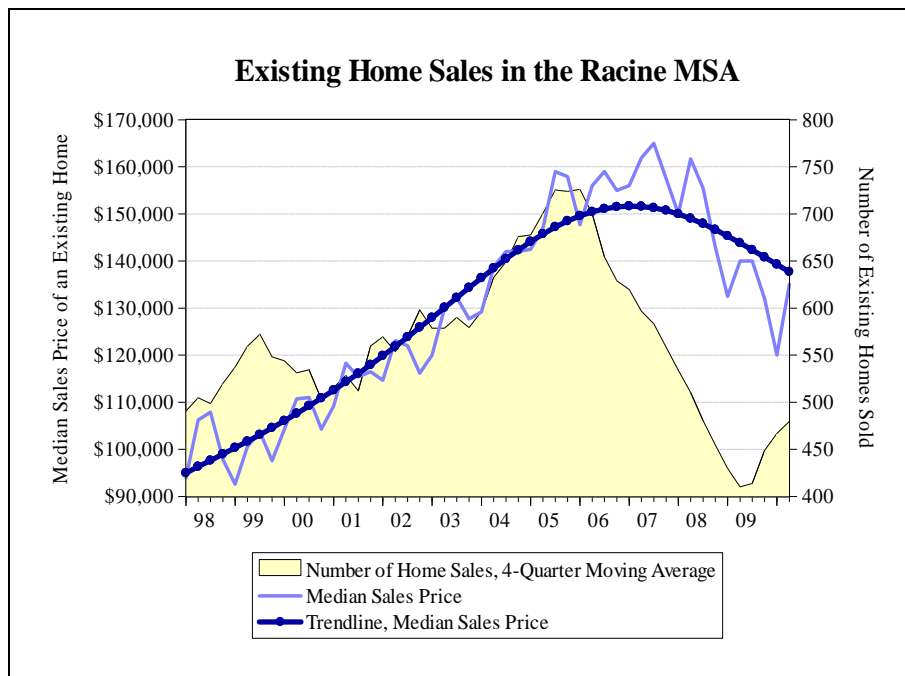
It is the fifth-largest MSA in Wisconsin, with its population increasing 0.2% to 200,601 in 2009.

Housing in the Racine MSA

The median sales price of an existing home in the Racine MSA was \$135,000 in the second quarter of 2010. This was 3.5% below the previous year's median sales price, using Multiple Listing Service (MLS) sales data from the Wisconsin Realtors' Association. The median sales price peaked during the fourth quarter of 2007 at \$165,000. The current price is 18.2% below that peak.

The median price (the blue line) and the number of homes sold (the yellow area) is charted below. The number of homes sold peaked before the price, during the second quarter of 2004. During the 2001 recession, the number of homes sold also dipped, but the median price continued to grow. This past recession's severity, as well as its breadth, is evident in the decline in prices. The numbers of homes sold has crept higher in recent quarters, but that is due to the homebuyers' tax credits. Now that the credits have expired, home sales are expected to again decline.

Chart II.40



Equalized Values

Total equalized values declined 4.3% in the Racine MSA in 2009. Residential values, at 75.8% of total equalized values, declined 5.3%. Economic change resulted in a decline of 5.5%, while new construction added 0.4% to residential equalized values in Racine. Commercial values, which make up 17.3% of total equalized values, declined 0.3%. Economic change caused a decline of 1.0%, while new construction increased commercial values 0.9%.

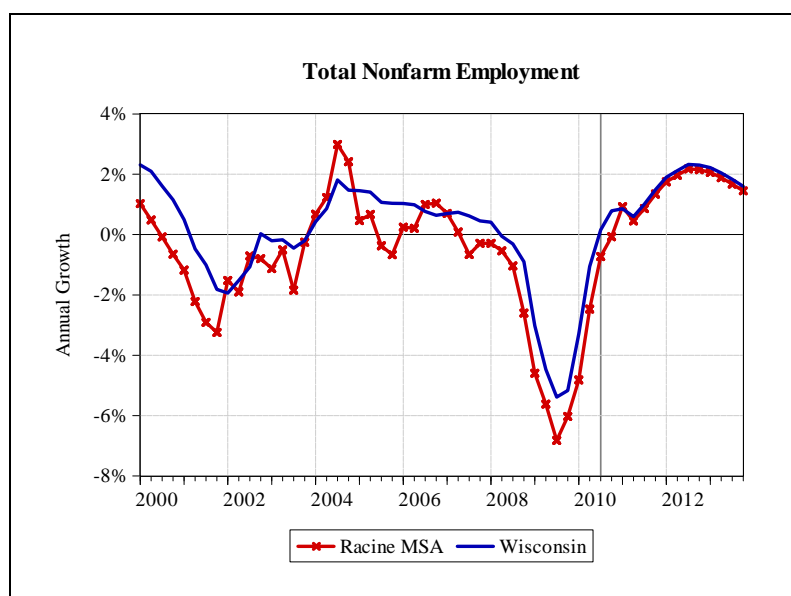
Employment

Manufacturing's share of total employment in the Racine MSA has been decreasing over time. In 2009, it reached 22.0% of the total, its lowest share since the data series begins in 1990. But manufacturing is still the area's largest employment sector. The next largest sector, at 18.6% of the total, is trade, transportation and utilities. Education and health services is the third largest sector (16.1% of the total) followed by government, including public education (13.4% of total employment). Large employers include the All Saints Medical Center, S.C. Johnson & Son, CNH America, and Emerson Electric Company.

Total employment decreased 5.9% in 2009, following a decline of 1.1% in 2008. This is a more severe decline than the 4.5% decrease in employment in Wisconsin as a whole. This follows the MSA's historical pattern of weaker employment performance than the state average. Manufacturing employment declined 11.2%, while trade, transportation and utilities fell 5.4%. Professional and business services declined 14.9%. Education and health services, however, had strong growth of 3.8% in 2009, while government employment saw a 0.4% increase.

Employment is showing signs of recovery in the Racine MSA. Declines continued during the first seven months of 2010, however, each month saw a smaller decline in the year-over-year comparison. In September, employment growth was seen in many sectors, including construction and mining, education and health services, and leisure and hospitality.

Chart II.41

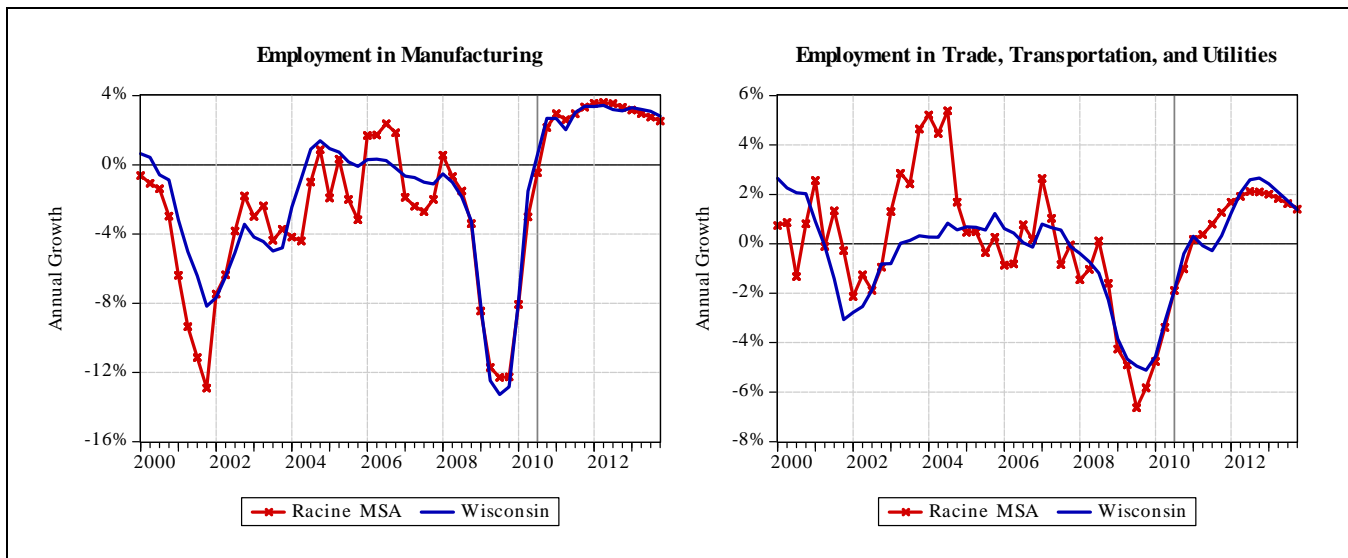


Like the other metropolitan areas of the state, the Racine MSA will not see employment growth until 2011. In 2010, employment will decrease 2.1%, before growing 0.9% in 2011. The Racine area's growth will then average 1.9% in 2012 and 2013, just slightly below the state's growth rate. Employment does not regain the jobs lost by the end of the forecast period; in 2013, employment will be 4.4% below its pre-recession peak reached in 2007.

Manufacturing employment will also decline in 2010, down 2.5%, before rebounding with 3.0% growth in 2011 and a 3.5% increase in 2012. The trade, transportation, and utilities sector also declines, down 2.8% in 2010. Growth resumes in 2011 with a 0.7% increase and then averages 1.8% growth during the last two years of the forecast period. See Chart II.41 for details.

The unemployment rate in the Racine MSA rose dramatically in the first half of 2009 as the recession deepened. The September reading of 8.4% is still elevated, but is 1.2 percentage points lower than last year at this time. In 2010, the unemployment rate in the Racine MSA will average 9.6%, down 0.6 percentage points from 2009. The unemployment rate will trend down as employment increases and will reach 7.9% by 2013.

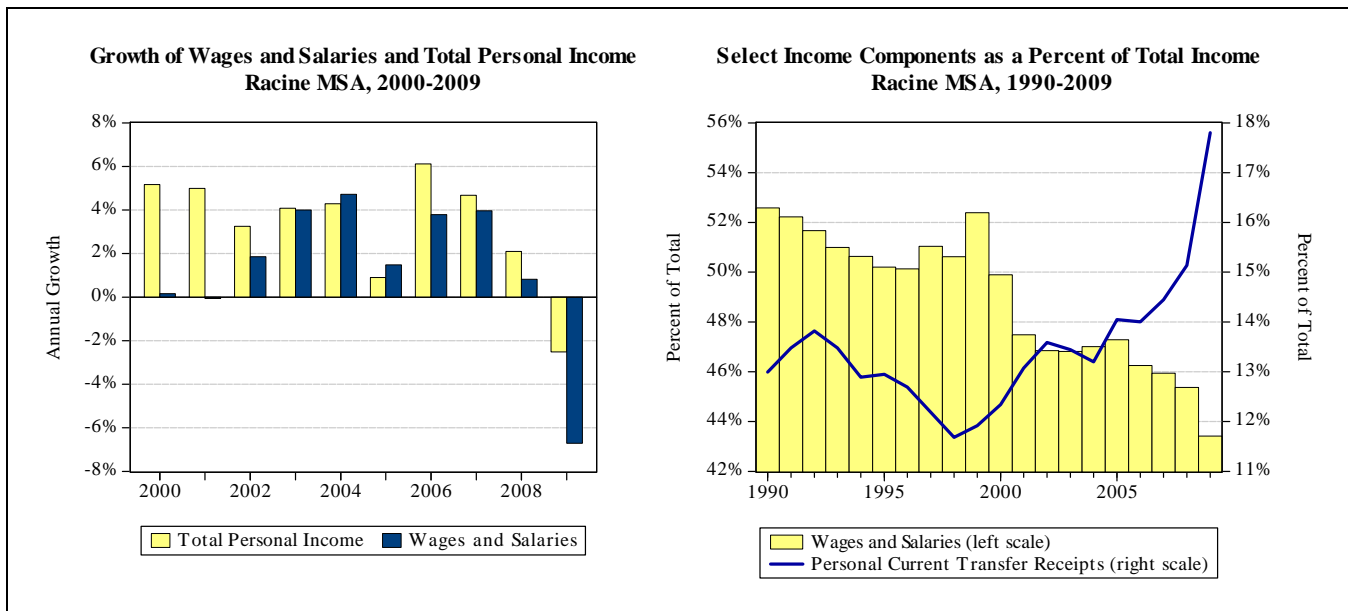
Chart II.42



Personal Income

Total personal income declined 2.5% in the Racine MSA in 2009, to \$4.32 billion. This compares to a 1.7% decline in personal income nationally and a 0.9% decline in Wisconsin. Per capita personal income also declined, falling 2.7% to \$35,992. This compares to per capita personal income of \$39,626 in the U.S. and \$37,398 in Wisconsin.

Chart II.43



Wages and salaries, the largest component of personal income, declined 6.7% in 2009. The annual growth in wages and salaries (the dark bars) and total personal income (the light bars) are charted in the left panel of Chart II.43. 2009 was the first year to see a decline in personal income at any point since the data series began in 1969.

Wages and salaries as a percent of personal income (the bars) are charted in the right panel of Chart II.43. The line is the share of personal income from current transfer receipts. Current transfer receipts are payments from government and business for which no services were performed, often in the form of government social benefits. Wages and salaries have been declining as a percent of personal income since 1990, although it did rise for several years during the late 1990s. In 2009, it fell to 43.4% of personal income. Current transfer receipts have been rising as a share of personal income since hitting a low of 11.7% in 1998. In 2009, it rose to 17.8% of personal income, as other sources of income, most notably wages and salaries, have fallen, while at the same time government benefits rose as residents sought assistance after the recession hit in late 2007.

Total personal income in the Racine MSA will increase 2.4% in 2010 to \$7.397 billion. Growth will continue throughout the forecast period, with increases accelerating to an average of 3.8% in 2012 and 2013. Per capita personal income also increases during the next four years, starting with a 2.1% increase in 2010 to \$36,735. In 2013, per capita personal income in the Racine MSA reaches \$40,230, below the state's \$42,155.

RACINE METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	80.6	80.6	79.7	75.1	73.5	74.2	75.7	77.0
% change	0.6%	0.0%	-1.1%	-5.8%	-2.1%	0.9%	2.0%	1.8%
Unemployment Rate	5.6	5.7	5.7	10.2	9.6	9.4	8.7	7.9
Total Personal Income (\$ billions)	6.931	7.255	7.406	7.220	7.397	7.602	7.886	8.186
% change	6.1%	4.7%	2.1%	-2.5%	2.4%	2.8%	3.7%	3.8%
Per Capita Personal Income	34,936	36,346	37,012	35,992	36,735	37,615	38,883	40,230
% change	5.4%	4.0%	1.8%	-2.8%	2.1%	2.4%	3.4%	3.5%

SHEBOYGAN

The Sheboygan MSA is the second smallest of the state's MSAs. Besides the City of Sheboygan, the MSA also includes Plymouth, Sheboygan Falls and Wilson. Sheboygan is home to a two-year UW campus and Lakeland College.

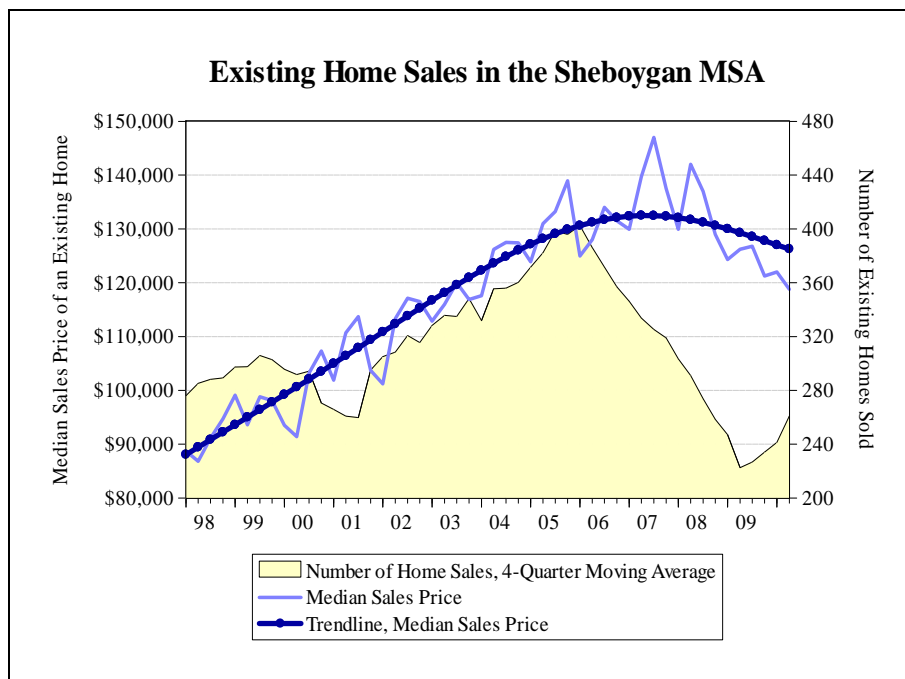
Made up of Sheboygan County on the shores of Lake Michigan, its population increased 0.1% in 2009 to 114,560.

Housing in the Sheboygan MSA

The median sales price of an existing home in the Sheboygan MSA was \$118,800 during the second quarter of 2010. This price is from the Multiple Listing Service (MLS) sales data from the Wisconsin Realtors' Association. It is 5.9% below the median price a year ago, and 19.2% below the peak median price reached during the third quarter of 2007.

The median price over time is charted by the blue lines in Chart II.44. The number of existing home sales is shown by the yellow area. Prices increased until mid-2007 and have been trending lower ever since. Looking back, home prices continued to rise during the recession of 2001. The pattern for the number of sales is different, however. The number of sales did decline during the recession earlier this decade, but they quickly rebounded and passed their previous level. During the recent recession, the number of sales fell long before the recession actually began – the number of home sales peaked in 2005. They have increased again during the last four quarters, due to the homebuyer's tax credit. Now that the credit has expired, the number of sales is expected to fall once again.

Chart II.44



Equalized Values

Equalized values fell 3.3%. Residential values, which are 73.9% of total equalized values, fell 2.5%. Economic change resulted in a 3.5% decline in values, while new construction and other changes increased values 1.0%. Commercial values, at 15.9% of the total, declined 6.6%. A large piece of this decline, however, is due to other changes, which in many instances is a shift in the classification of property. Economic changes were responsible for a 3.3% decline in values, while new construction added 1.4%.

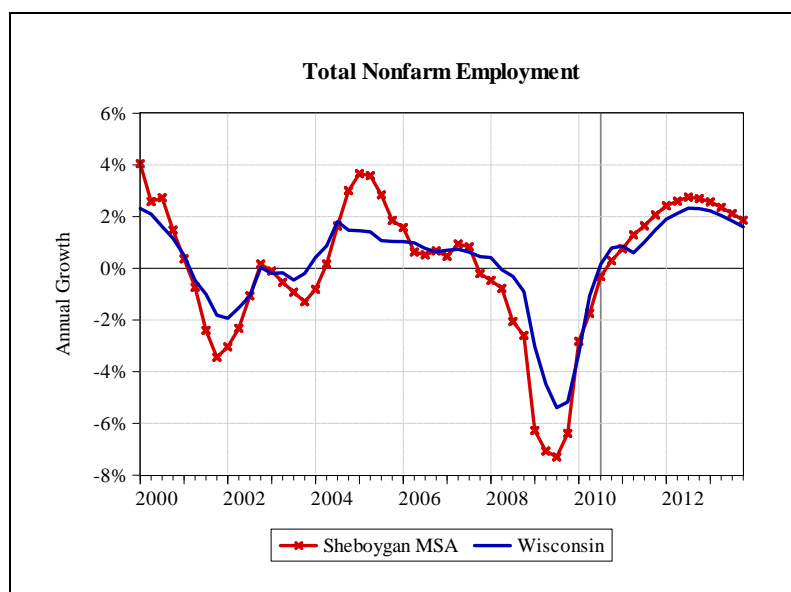
Employment

In 1999 and 2000, manufacturing employment was just over 40% of total employment in the Sheboygan MSA. Since then the share of manufacturing has declined. It is still the largest sector in the Sheboygan MSA, at 32.4% of total employment in 2009. The next largest sector, trade, transportation, and utilities, is 15.2% of total employment, less than half the size of the manufacturing sector. The education and health service sector is the third largest sector, at 13.3% of employment, followed by government, including public education, at 10.8% of the total. Large employers include Kohler Company, Bemis Manufacturing, the Aurora Medical Group, and Johnsonville Sausage.

Total employment in the Sheboygan MSA declined 6.7% in 2009, following a 1.5% decline in 2008. Construction and mining had a 17.8% decline in employment, while manufacturing shed 13.1% of its workers. Trade, transportation, and utilities fell 3.7%. Education and health services declined 0.2%, and government, was nearly flat, increasing 0.1%.

2010 began with more year-over-year declines in employment. However, the declines have been smaller each month. In September, employment was 0.7% less than September 2009. Many sectors are seeing growth: manufacturing was up 0.5%, leisure and hospitality was 1.9% above its year-ago level, and education and health services increased 1.3%.

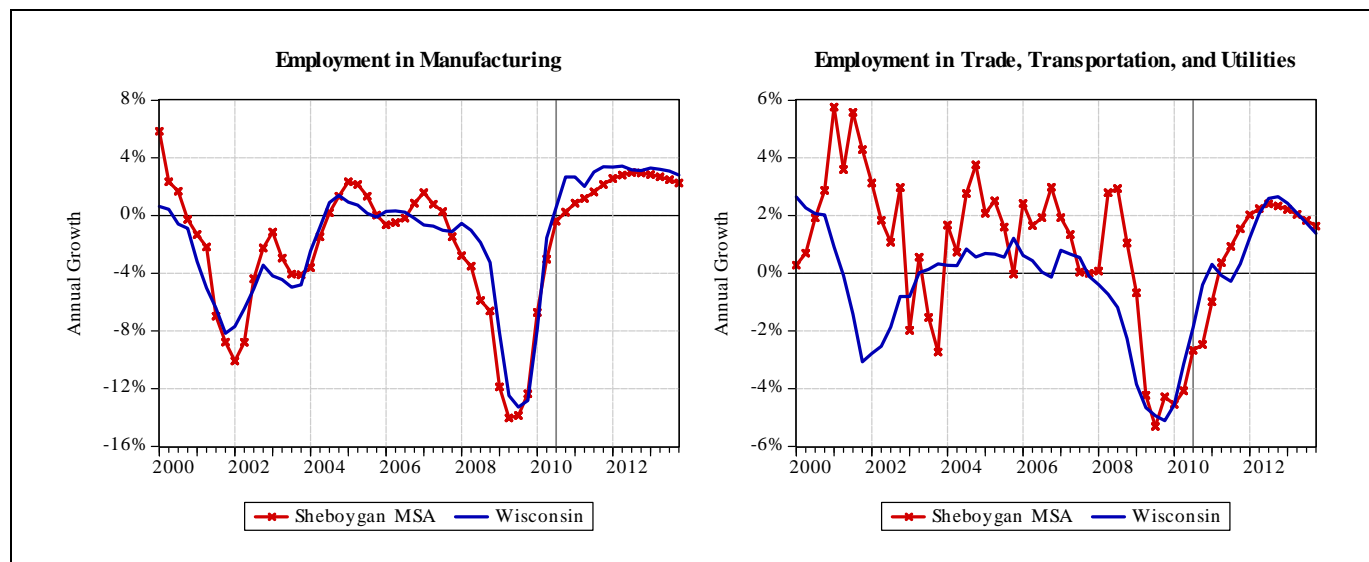
Chart II.45



Employment growth in the Sheboygan MSA will not return this year. In 2010, employment will dip 1.2%, and then will increase 1.4% in 2011. Growth continues through the forecast period, averaging 2.4% in 2012 and 2013. At the end of the forecast period, however, employment will be 3.4% below its pre-recession peak reached in 2007.

Manufacturing employment will decrease again in 2010, dropping 2.5%, before growth resumes in 2011. In that year, manufacturing will increase 1.5%, before growing an average of 2.7% in 2012 and 2013. The trade, transportation, and utilities sector also suffers another year of declines in 2010, before growing 0.5% in 2011, 2.3% in 2012, and 1.9% in 2013.

Chart II.46



The unemployment rate in the Sheboygan MSA rose dramatically in the first half of 2009 as the recession deepened. However, the rate is starting to improve. The September reading of 7.0%, non-seasonally adjusted, is 1.7 percentage points lower than last year at this time. The unemployment rate will average 8.4% in 2010, down 0.8 percentage points from 2009. It will continue to drift lower and will average 6.4% in 2013.

Personal Income

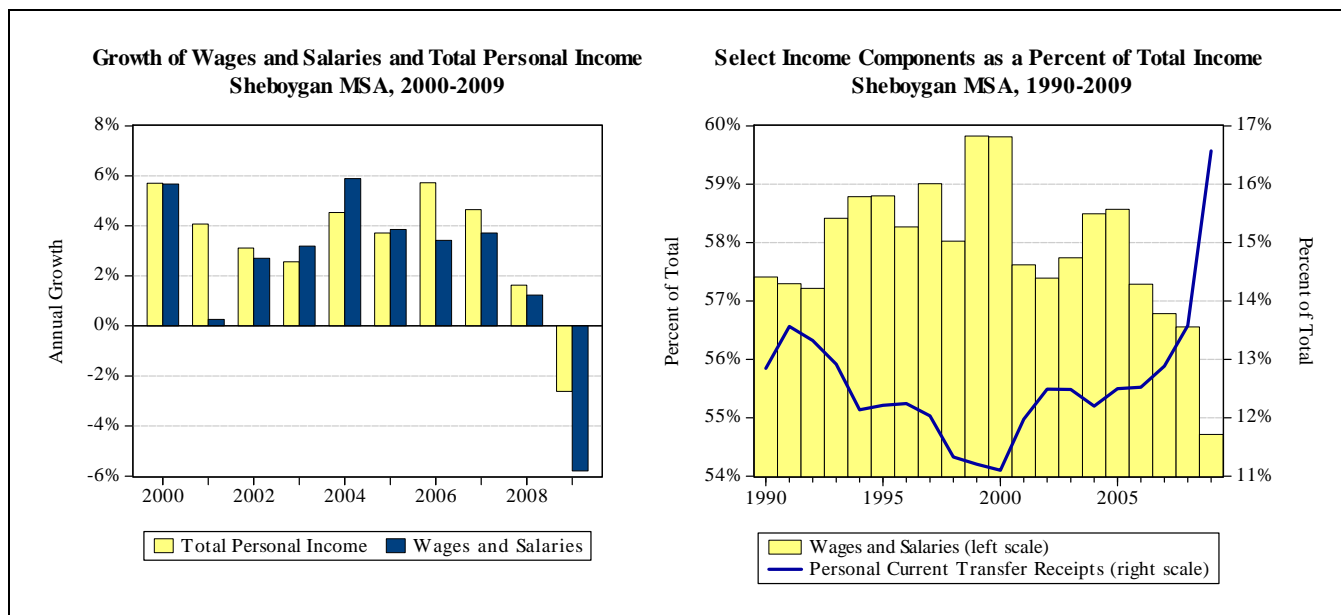
Total personal income in the Sheboygan MSA decreased 2.6% in 2009, to \$4.319 billion. Nationally, personal income declined 1.7%, while in Wisconsin it fell 0.9%. This is the first time since the data series began in 1969 that personal income has declined in the Sheboygan MSA. Per capita personal income also decreased in the Sheboygan MSA, to \$37,705. This compares to per capita personal income of \$39,626 in the U.S. and \$37,398 in Wisconsin.

Wages and salaries, the largest component of personal incomes, declined 5.9% in 2009. This growth is charted in the blue bars in the left panel of Chart II.45. The yellow bars show annual growth of total personal income. The panel on the right shows the share of wages and salaries of total personal income (in the yellow bars) and the share of personal current transfer receipts (blue line). Current transfer receipts are payments from business and government for which no work was performed. This is often in the form of government social assistance, such as food stamps and unemployment, plus social security and other payments.

The share of personal income from wages was above 57% for most of the last two decades, peaking at 59.8% in 1999 and 2000. This measure has fallen the last four years and accelerated the last two years as employment losses mounted and wages fell. It was 54.7% in 2009. Current transfer receipts hovered around 12% during the last two decades. It spiked during the last two years, reaching 16.6% in 2009 as the recession caused residents to turn to increased social benefits during the recession.

Total personal income will increase 2.5% in 2010, to \$4.429 billion. It will increase throughout the forecast period, with growth averaging 4.1% in the last two years of the forecast period. Per capita personal income will follow a similar pattern, increasing 2.2% to \$38,518 in 2010. By the 2013 per capita personal income will equal \$42,299, slightly above the state's \$42,155.

Chart II.47



SHEBOYGAN METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	64.3	64.6	63.6	59.3	58.7	59.5	61.1	62.4
% change	0.9%	0.5%	-1.5%	-6.8%	-1.2%	1.4%	2.6%	2.2%
Unemployment Rate	3.9	4.1	4.5	9.1	8.4	7.9	7.1	6.4
Total Personal Income (\$ billions)	4.171	4.365	4.436	4.319	4.429	4.564	4.748	4.943
% change	5.7%	4.6%	1.6%	-2.6%	2.5%	3.0%	4.0%	4.1%
Per Capita Personal Income	36,640	38,247	38,755	37,705	38,518	39,471	40,843	42,299
% change	5.6%	4.4%	1.3%	-2.7%	2.2%	2.5%	3.5%	3.6%

WAUSAU

Located in the middle of the state, the Wausau MSA is Marathon County. The metro area includes the City of Wausau, Weston, Kronenwetter, Rib Mountain and Mosinee. Marathon County is home to a two-year UW Campus and two branches of North-Central Technical College.

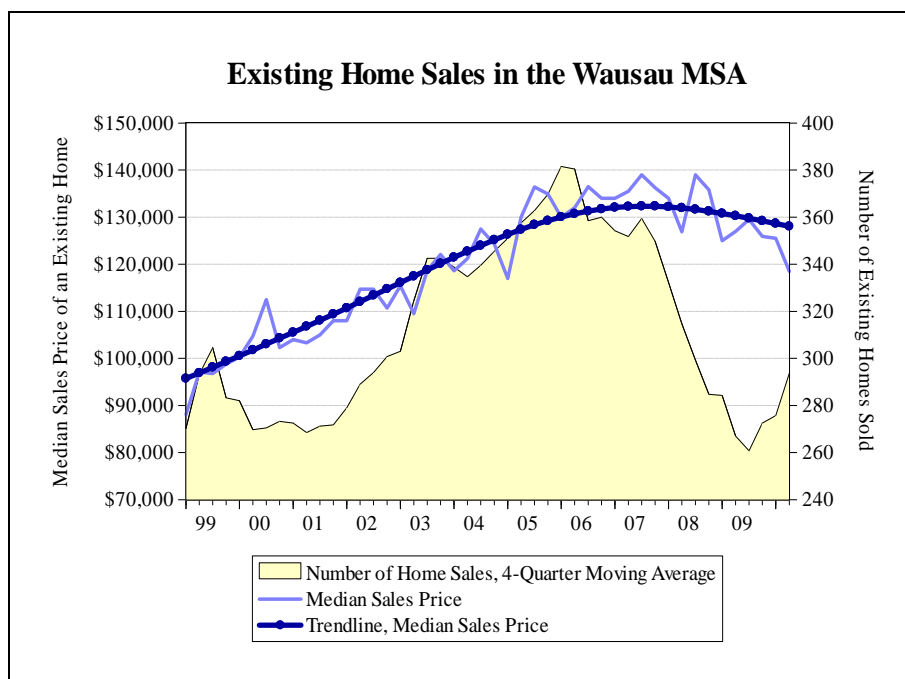
It is Wisconsin's third-smallest MSA. Its population grew 0.4% to 131,612 in 2008.

Housing in the Wausau MSA

The median sales price of an existing home from the Wausau MSA was \$118,500 during the second quarter of 2010. This is based on Multiple Listing Service (MLS) sales data from the Wisconsin Realtors Association. The median sales price of an existing home peaked at \$139,000 during the third quarter of 2007. The current price is down 6.7% from the second quarter of 2009 and 14.7% below the peak.

The median sales price of existing homes is plotted by the blue line in Chart II.48. The shaded area denotes the number of homes sold. The number of existing homes sold dipped during the 2001 recession, although the median price continued to increase. The number of existing homes sold peaked at 470 during the third quarter of 2005. It declined since then, and has only begun to rebound during the last few quarters due to the homebuyers' tax credit. The tax credit has since expired, and home sales are expected to decline over the next several quarters.

Chart II.48



Equalized Values

In Marathon County, total equalized values decreased 2.0% in 2009. Residential values, at 63.2% of total equalized values, decreased 1.9%. Economic changes resulted in a 2.5% decline, while new construction contributed 0.9% to residential values. Commercial property, at 19.8% of total equalized values, declined 2.6%. Economic change decreased values by 4.3%, while new construction added 2.0% to commercial property values.

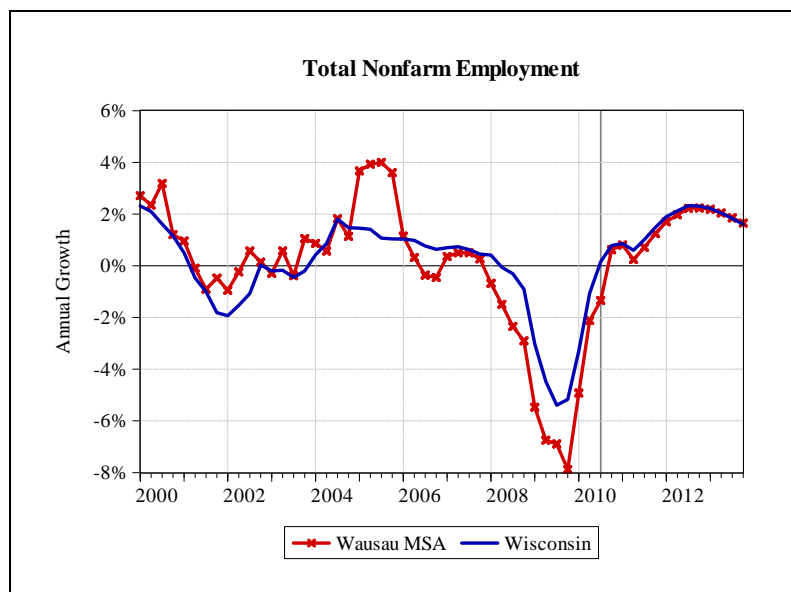
Employment

The largest employment sector in the Wausau MSA is manufacturing, at 22.7% of total employment. This is down from 24.2% last year. The next largest sector, trade, transportation, and utilities, is 21.6% of the total, and increased from last year. Education and health services rose to 12.5% of total employment, while government, including public education, is 11.8%. Large employers in the area include Aspirus Wausau Hospital, Greenheck Fan Corporation, and Kolbe & Kolbe Millwork.

Total nonfarm employment decreased 6.7% in 2009, following a decreased of 1.3% in 2008. Nearly all employment sectors declined in 2009, ranging from a 16.8% decline in construction and mining and a 12.6% decline in manufacturing to a 0.2% decrease in education and health services. Two sectors saw growth: other services increased 3.7% while government was nearly flat, increasing 0.1%.

Employment is still declining in the Wausau MSA, but the losses are becoming smaller. In January of 2010, employment was 5.8% lower than the previous year. In August, however, employment was down 1.9%. In September employment increased 0.3% over last year, with increases in manufacturing, education and health services, and leisure and hospitality.

Chart II.49

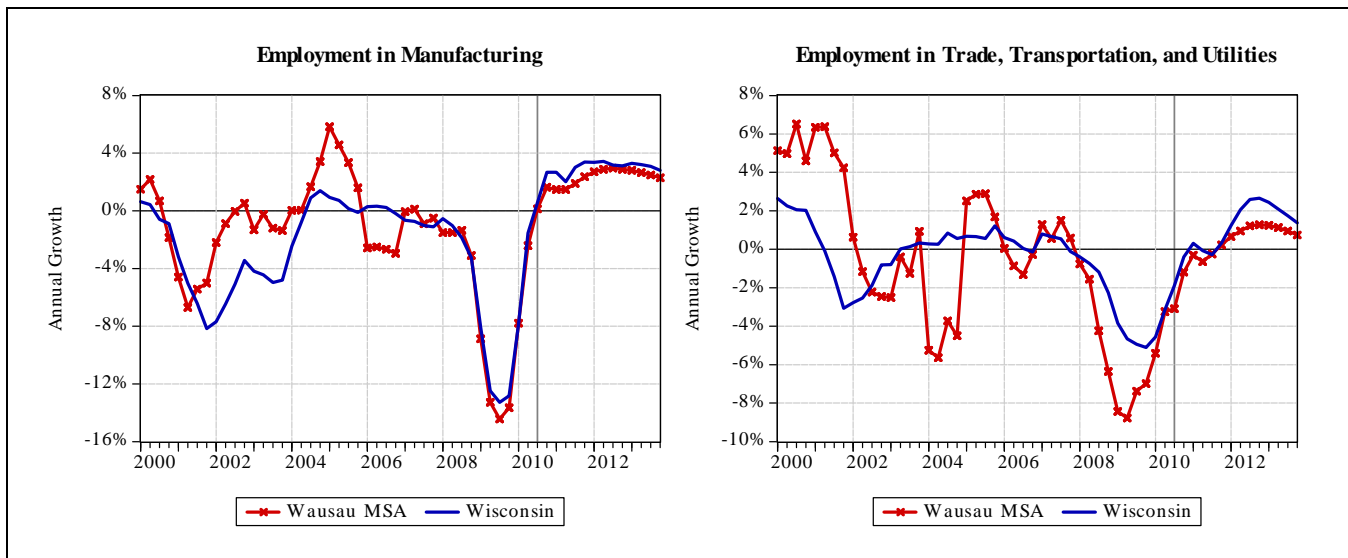


Total nonfarm employment will decline in 2010 in the Wausau MSA, dropping 2.0%. Employment growth will resume in 2011 with a 0.7% increase, followed by stronger growth in 2012 and 2013 of 2.0% and 1.9%, respectively. Employment will not return to its pre-recession peak by the end of the forecast period. In fact, it will be 0.7% below its 2000 employment level.

The manufacturing sector will also see another year of declines, decreasing 2.2% in 2010, before returning to growth in 2011 with a 1.8% increase. Employment growth in this sector will then average 2.7% in 2012 and 2013. Trade, transportation and utilities will decrease 3.3% this year and 0.2% in 2011. Growth resumes after that and will increase 1.0% in 2012 and 2013.

The unemployment rate in the Wausau MSA rose dramatically in the first half of 2009 as the recession deepened. The September reading of 7.2%, non-seasonally adjusted, shows improvement, as it is 0.9 percentage points lower than last year at this time. The unemployment rate in the Wausau MSA will average 8.1% in 2010, down 0.7 percentage points from 2009. It will continue to drift lower and will average 6.0% in 2013.

Chart II.50

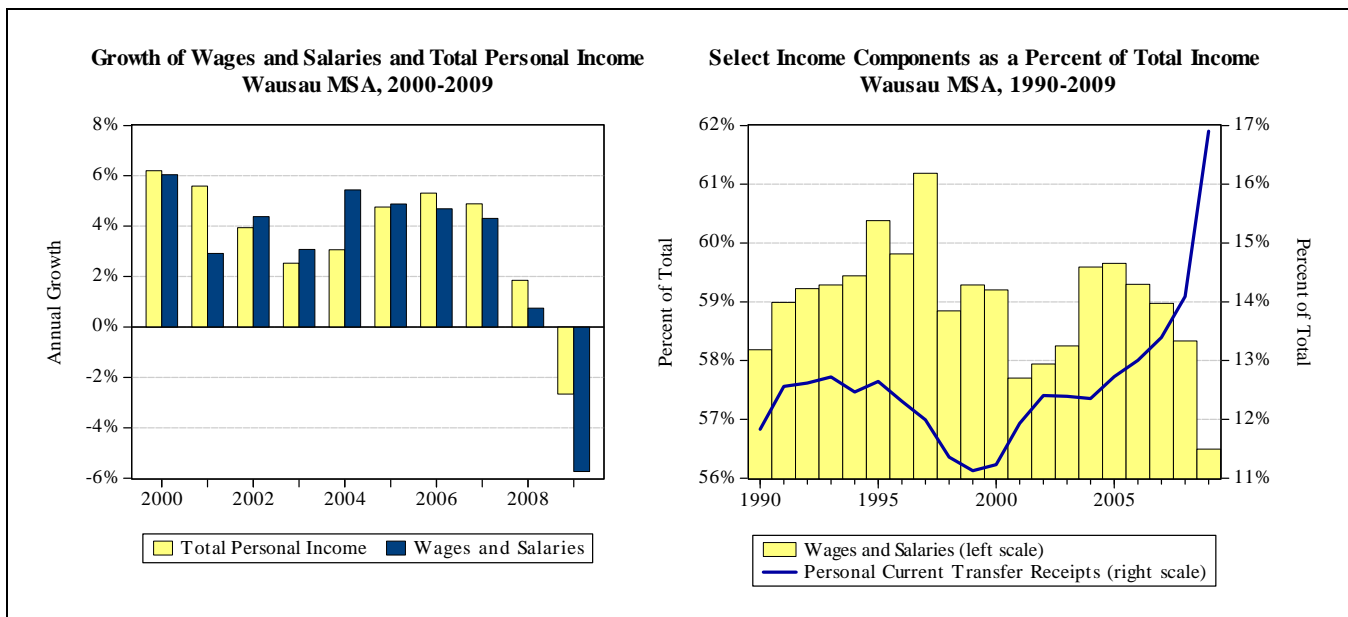


Personal Income

Total personal income in the Wausau MSA declined 2.7% in 2009, to \$4.660 billion. This compares to a decline of 1.7% in the U.S. and 0.9% in Wisconsin. This is the first time in history that personal income declined in the Wausau MSA. Per capita personal income also declined, down 3.1% to \$ 35,409. This compares to per capita personal income of \$39,626 in the U.S. and \$37,398 in Wisconsin.

Wages and salaries, the largest component personal income, declined 5.7% in 2009. This is plotted by the dark blue bars in the left panel of Chart II.51. Growth in total personal income is shown by the yellow bars. As a share of personal income, wages and salaries have been declining for the past four years. This is measured by the yellow bars in the right panel of Chart II.51. This measure ranged from 57.7% in 2001 to 61.2% in 1996. In 2009 it fell to a low of 56.5% as employment fell and wages and salaries declined.

Chart II.51



The blue line plots the share of current transfer receipts of total personal income. Current transfer receipts are income from business and government for which no services were performed. This is often in the form of government social benefits. This wavered around 12% for much of the past two decade. However, it has increased over the past several years, and spiked to 16.9% in 2009, as wages and salaries declined and residents sought more government assistance in wake of the recession.

Personal income growth will resume in 2010, with a 2.9% increase to \$4.795 billion. Growth will accelerate and will average 4.3% in 2012 and 2013. Per capita personal income will follow a similar pattern, increasing 2.3% in 2010 to \$36,231. By 2013 this measure will equal \$40,030, below the state's \$42,155.

WAUSAU METROPOLITAN AREA FORECAST

	History				Forecast			
	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Employment (thousands)	73.4	73.7	72.3	67.5	66.1	66.6	68.0	69.3
% change	0.2%	0.4%	-1.9%	-6.7%	-2.0%	0.7%	2.0%	1.9%
Unemployment Rate	4.2	4.2	4.5	8.8	8.1	7.3	6.7	6.0
Total Personal Income (\$ billions)	4.481	4.701	4.788	4.660	4.795	4.947	5.155	5.376
% change	5.3%	4.9%	1.8%	-2.7%	2.9%	3.2%	4.2%	4.3%
Per Capita Personal Income	34,785	36,162	36,536	35,409	36,231	37,191	38,569	40,030
% change	4.2%	4.0%	1.0%	-3.1%	2.3%	2.7%	3.7%	3.8%